the Freeman

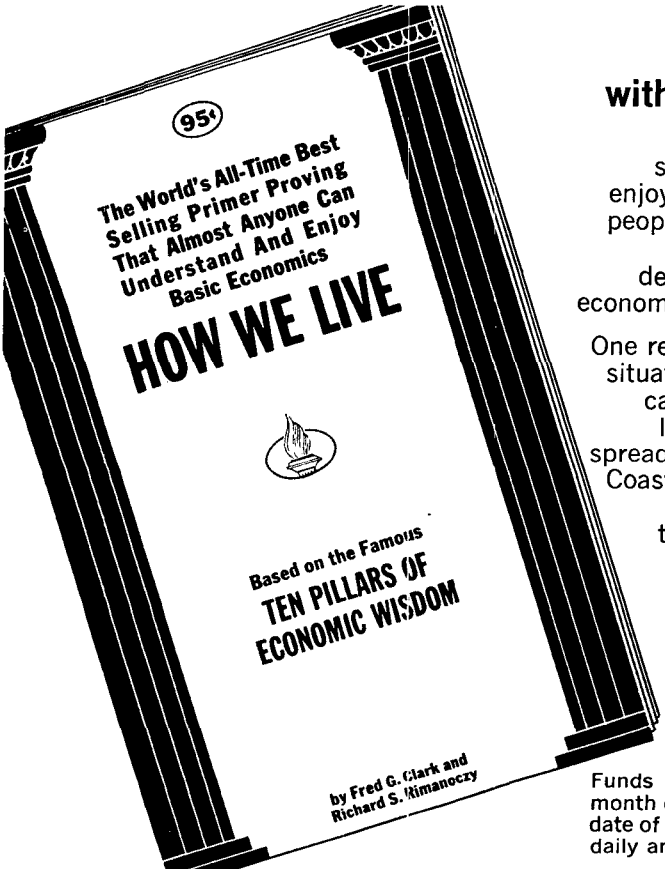
Ideas on Liberty

MARCH 1968

How England rose

and why she fell-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED


95¢
The World's All-Time Best Selling Primer Proving That Almost Anyone Can Understand And Enjoy Basic Economics
HOW WE LIVE
Based on the Famous
TEN PILLARS OF ECONOMIC WISDOM
by Fred G. Clark and Richard S. Kimanoczy

Please accept th outstanding boc with our compliment.

More and more people a seeking easier ways towa enjoyment of the fruits of oth people's labor without realizi that their actions lead destruction of the moral a economic standards of our natic

One remedy for this unfortun situation is the rapid mass ed cation in the basic econom laws of nature. To help y spread this knowledge to other Coast Federal Savings is hap to offer you, without co this outstanding book th explains basic econom truths in easily-unde standable forr

You earn **5.1** at our current rate of **5.** if account held 1 yea **.25%** bonus availa

Funds received by the 10th of month earn from 1st; thereafter fro date of receipt. Earnings compound daily and paid to date of withdr

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

To: John Hamner, Department FM, Coast Federal Savings and Loan Association 9th & Hill Streets, Los Angeles, California 90014

☐ Please send me the book: "How We Live," at no charge.

☐ Yes, I'd like to open a savings account. Enclosed is my check (or money order) for $_____

Name(s) _____
(Please Print)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman in this issue

VOLUME 18, NO. 3 MARCH 1968

Despite the heavy opposition they face, Henry Hazlitt suggests several areas where libertarians, working together, may succeed .....p. 131

And from Australia comes the helpful clue that reaching for the unattainable often leads to success .....p. 143

Not in open competition, but through strikes and other forms of violence are the real price wars waged .....p. 144

Professor Clarence Carson opens a new series describing the rise and fall of England as a world power, this chapter covering the long centuries prior to the flowering of freedom .....p. 147

A man of steel implores his colleagues to look to the market instead of "protectionism" for relief from problems plaguing the industry .....p. 158

Jasper Crane shares the experiences of a lifetime working with tools and discovering their value to man .....p. 160

Dr. Sennholz examines the short-run and long-run consequences of the older and the newer forms of governmental intervention in human affairs .....p. 166

Dean Paul Adams of Roberts Wesleyan College traces many of our pressing problems to a departure from the moral premise upon which the nation was founded .....p. 170

The case for freedom is further substantiated by Dr. H. B. Phillips who formerly headed the Department of Mathematics at M.I.T. .....p. 179

A businessman from Guatemala offers some sobering reflections on the problems of any New Society p. 182

Dr. Howard Kershner explains how capitalization cures poverty ....p. 185

John Chamberlain critically examines Eliot Janeway's **The Economics of Crisis: War, Politics, and the Dollar** .....p. 186

A Pride of Prejudices by **The Wall Street Journal's** editor, Vermont Royster, is highly commended by reviewer Thornton .....p. 189

And Gordon Bleil looks to the animal kingdom with Konrad Lorenz **On Aggression** and Robert Ardrey on **The Territorial Imperative** ..... p. 190

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

LEONARD E. READ — *President,* Foundation for Economic Education

PAUL L. POIROT — *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount—$5.00 to $10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1968, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 10 for $2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "The Rise and Fall of England."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the TASK confronting LIBERTARIANS

HENRY HAZLITT

FROM TIME to time over the last thirty years, after I have talked or written about some new restriction on human liberty in the economic field, some new attack on private enterprise, I have been asked in person or received a letter asking, "What can *I* do" – to fight the inflationist or socialist trend? Other writers or lecturers, I find, are often asked the same question.

The answer is seldom an easy one. For it depends on the circumstances and ability of the questioner – who may be a businessman, a housewife, a student, informed or not, intelligent or not, articulate or not. And the answer must vary with these presumed circumstances.

The general answer is easier than the particular answer. So here I want to write about the task now confronting all libertarians considered collectively.

This task has become tremendous, and seems to grow greater every day. A few nations that have already gone completely communist, like Soviet Russia and its satellites, try, as a result of sad experience, to draw back a little from complete centralization, and experiment with one or two quasi-capitalistic techniques; but the world's prevailing drift – in more than 100 out of the 107 nations and mini-nations that are now members of the International Monetary Fund – is in the direction of increasing socialism and controls.

The task of the tiny minority that is trying to combat this socialistic drift seems nearly hope-

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

less. The war must be fought on a thousand fronts, and the true libertarians are grossly outnumbered on practically all these fronts.

In a thousand fields the welfarists, statists, socialists, and interventionists are daily driving for more restrictions on individual liberty; and the libertarians must combat them. But few of us individually have the time, energy, and special knowledge to be able to do this in more than a handful of subjects.

One of our gravest problems is that we find ourselves confronting armies of bureaucrats already controlling us, and with a vested interest in keeping and expanding the controls they were hired to enforce.

A Growing Bureaucracy

Let me try to give you some idea of the size and extent of this bureaucracy in the United States. The Hoover Commission found in 1954 that the Federal government embraced no fewer than 2,133 different functioning agencies, bureaus, departments, and divisions. I do not know what the exact count would be today, but the known multiplicity of Great Society agencies would justify our rounding out that figure at least to 2,200.

We do know that the full-time permanent employees in the Federal government now number about 2,615,000.

And we know, to take a few specific examples, that of these bureaucrats 15,400 administer the programs of the Department of Housing and Urban Development, 100,000 the programs (including Social Security) of the Department of Health, Education, and Welfare, and 154,000 the programs of the Veterans Administration.

If we want to look at the rate at which parts of this bureaucracy have been growing, let us take the Department of Agriculture. In 1929, before the U. S. government started crop controls and price supports on an extensive scale, there were 24,000 employees in that Department. Today, counting part-time workers, there are 120,000, five times as many, all of them with a vital economic interest – to wit, their own jobs – in proving that the particular controls they were hired to formulate and enforce should be continued and expanded.

What chance does the individual businessman, the occasional disinterested professor of economics, or columnist or editorial writer, have in arguing against the policies and actions of this 120,000-man army, even if he has had time to learn the detailed facts of a particular issue? His criticisms

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

are either ignored or drowned out in the organized counterstatements.

This is only one example out of scores. A few of us may suspect that there is much unjustified or foolish expenditure in the U. S. Social Security program, or that the unfunded liabilities already undertaken by the program (one authoritative estimate of these exceeds a *trillion* dollars) may prove to be unpayable without a gross monetary inflation. A handful of us may suspect that the whole principle of compulsory government old age and survivor's insurance is open to question. But there are nearly 100,000 full-time permanent employees in the Department of Health, Education, and Welfare to dismiss all such fears as foolish, and to insist that we are still not doing nearly enough for our older citizens, our sick, and our widows and orphans.

And then there are the millions of those who are already on the receiving end of these payments, who have come to consider them as an earned right, who of course find them inadequate, and who are outraged at the slightest suggestion of a critical re-examination of the subject. The political pressure for constant extension and increase of these benefits is almost irresistible.

And even if there weren't whole armies of government economists, statisticians, and administrators to answer him, the lone disinterested critic, who hopes to have his criticism heard and respected by other disinterested and thoughtful people, finds himself compelled to keep up with appalling mountains of detail.

Too Many Cases to Follow

The National Labor Relations Board, for example, hands down hundreds of decisions every year in passing on "unfair" labor practices. In the fiscal year 1967 it passed on 803 cases "contested as to the law and the facts." Most of these decisions are strongly biased in favor of the labor unions; many of them pervert the intention of the Taft-Hartley Act that they ostensibly enforce; and in some of them the board arrogates to itself powers that go far beyond those granted by the act. The texts of many of these decisions are very long in their statement of facts or alleged facts and of the Board's conclusions. Yet how is the individual economist or editor to keep abreast of the decisions and to comment informedly and intelligently on those that involve an important principle or public interest?

Or take again such major agencies as the Federal Trade Commission, the Securities and Ex-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

change Commission, the Internal Revenue Service, the Interstate Commerce Commission, the Food and Drug Administration, the Federal Communications Commission. All these agencies engage in quasi-legislative, quasi-judicial, and administrative functions. They issue rules and regulations, grant licenses, issue cease-and-desist orders, award damages, and compel individuals and corporations to do or refrain from many things. They often combine the functions of legislators, prosecutors, judges, juries, and bureaucrats. Their decisions are not always based solely on existing law; and yet when they inflict injury on corporations or individuals, or deprive them of constitutional liberties and legal rights, appeal to the courts is often difficult, costly, or impossible.

Once again, how can the individual economist, student of government, journalist, or anyone interested in defending or preserving liberty, hope to keep abreast of this Niagara of decisions, regulations, and administrative laws? He may sometimes consider himself lucky to be able to master in many months the facts concerning even one of these decisions.

Professor Sylvester Petro of New York University has written a full book on the Kohler strike and another full book on the Kingsport strike, and the public lessons to be learned from them. Professor Martin Anderson has specialized in the follies of urban renewal programs. But how many are there among us libertarians who are willing to – or have the time to – do this specialized and microscopic but indispensable research?

In July, 1967, the Federal Communications Commission handed down an extremely harmful decision ordering the American Telephone & Telegraph Company to lower its interstate rates – which were already 20 per cent lower than in 1940, though the general price level since that time had gone up 163 per cent. In order to write a single editorial or column on this (and to feel confident he had his facts straight), a conscientious journalist had to study, among other material, the text of the decision. That decision consisted of 114 single-spaced typewritten pages.

. . . *and Schemes for Reform*

We libertarians have our work cut out for us.

In order to indicate further the dimensions of this work, it is not merely the organized bureaucracy that the libertarian has to answer; it is the individual private zealots. A day never passes without some ardent reformer or

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

group of reformers suggesting some new government intervention, some new statist scheme to fill some alleged "need" or relieve some alleged distress. They accompany their scheme by citing statistics that supposedly prove the need or the distress that they want the taxpayers to relieve. So it comes about that the reputed "experts" on relief, unemployment insurance, social security, medicare, subsidized housing, foreign aid, and the like are precisely the people who are advocating more relief, unemployment insurance, social security, medicare, subsidized housing, foreign aid, and all the rest.

Let us come to some of the lessons we must draw from all this.

Specialists for the Defense

We libertarians cannot content ourselves merely with repeating pious generalities about liberty, free enterprise, and limited government. To assert and repeat these general principles is absolutely necessary, of course, either as prologue or conclusion. But if we hope to be individually or collectively effective, we must individually master a great deal of detailed knowledge, and make ourselves specialists in one or two lines, so that we can show how our libertarian principles apply in special fields, and so that we can convincingly dispute the proponents of statist schemes for public housing, farm subsidies, increased relief, bigger social security benefits, bigger medicare, guaranteed incomes, bigger government spending, bigger taxation, especially more progressive income taxation, higher tariffs or import quotas, restrictions or penalties on foreign investment and foreign travel, price controls, wage controls, rent controls, interest rate controls, more laws for so-called "consumer protection," and still tighter regulations and restrictions on business everywhere.

This means, among other things, that libertarians must form and maintain organizations not only to promote their broad principles – as does, for example, the Foundation for Economic Education – but to promote these principles in special fields. I am thinking, for example, of such excellent existing specialized organizations as the Citizens Foreign Aid Committee, the Economists' National Committee on Monetary Policy, the Tax Foundation, and so on. I am happy to report the very recent formation of Americans for Effective Law Enforcement.

We need not fear that too many of these specialized organizations will be formed. The real danger is the opposite. The private libertarian organizations in the United

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

States are probably outnumbered ten to one by communist, socialist, statist, and other left-wing organizations that have shown themselves to be only too effective.

And I am sorry to report that almost none of the old-line business associations that I am acquainted with are as effective as they could be. It is not merely that they have been timorous or silent where they should have spoken out, or even that they have unwisely compromised. Recently, for fear of being called ultraconservative or reactionary, they have been supporting measures harmful to the very interests they were formed to protect. Several of them, for example, have come out in favor of the Administration's proposed tax increase on corporations, because they were afraid to say that the Administration ought rather to slash its profligate welfare spending.

The sad fact is that today most of the heads of big businesses in America have become so confused or intimidated that, so far from carrying the argument to the enemy, they fail to defend themselves adequately even when attacked. The pharmaceutical industry, subjected since 1962 to a discriminatory law that applies questionable and dangerous legal principles that the government has not yet dared to apply in other fields, has been too timid to state its own case effectively. And the automobile makers, attacked by a single zealot for turning out cars "Unsafe at Any Speed," handled the matter with an incredible combination of neglect and ineptitude that brought down on their heads legislation harmful not only to the industry but to the driving public.

The Timidity of Businessmen

It is impossible to tell today where the growing anti-business sentiment in Washington, plus the itch for more government control, is going to strike next. Only within the last few months Congress, with little debate, allowed itself to be stampeded into a dubious extension of Federal power over intrastate meat sales. When this article appears, or shortly after, Congress may have passed a Federal "truth-in-lending" law, forcing lenders to calculate and state interest rates the way Federal bureaucrats want them calculated and stated. There is also pending an Administration bill in which government bureaucrats are to prescribe "standards" telling just how surgical devices like bone pins and catheters and even artificial eyes are to be made.

And a few weeks ago the President suddenly announced that he was prohibiting American business from making further direct

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

investments in Europe, that he was restricting them elsewhere, and that he would ask Congress to pass some law restricting Americans from traveling to Europe. Instead of raising a storm of protest against these unprecedented invasions of our liberties, most newspapers and businessmen deplored their "necessity" and hoped they would be only "temporary."

The very existence of the business timidity that allows these things to happen is evidence that government controls and power are already excessive.

Why are the heads of big business in America so timid? That is a long story, but I will suggest a few reasons: (1) They may be entirely or largely dependent on government war contracts. (2) They never know when or on what grounds they will be held guilty of violating the antitrust laws. (3) They never know when or on what grounds the National Labor Relations Board will hold them guilty of unfair labor practices. (4) They never know when their personal income tax returns will be hostilely examined, and they are certainly not confident that such an examination, and its findings, will be entirely independent of whether they have been personally friendly or hostile to the Administration in power.

It will be noticed that the governmental actions or laws of which businessmen stand in fear are actions or laws that leave a great deal to administrative discretion. Discretionary administrative law should be reduced to a minimum; it breeds bribery and corruption, and is always potentially blackmail or blackjack law.

A Confusion of Interests

Libertarians are learning to their sorrow that big businessmen cannot necessarily be relied upon to be their allies in the battle against extension of governmental encroachments. The reasons are many. Sometimes businessmen will advocate tariffs, import quotas, subsidies, and restrictions of competition, because they think, rightly or wrongly, that these government interventions will be in their personal interest, or in the interest of their companies, and are not concerned whether or not they may be at the expense of the general public. More often, I think, businessmen advocate these interventions because they are honestly confused, because they just don't realize what the actual consequences will be of the particular measures they propose, or perceive the cumulative debilitating effects of growing restrictions of human liberty.

Perhaps most often of all, however, businessmen today acquiesce

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in new government controls out of sheer timidity.

A generation ago, in his pessimistic book, *Capitalism, Socialism and Democracy* (1942), the late Joseph A. Schumpeter maintained the thesis that "in the capitalistic system there is a tendency toward self-destruction." And as one evidence of this he cited the "cowardice" of big businessmen when facing direct attack:

> They talk and plead — or hire people to do it for them; they snatch at every chance of compromise; they are ever ready to give in; they never put up a fight under the flag of their own ideals and interests — in this country there was no real resistance anywhere against the imposition of crushing financial burdens during the last decade or against labor legislation incompatible with the effective management of industry.

So much for the formidable problems facing dedicated libertarians. They find it extremely difficult to defend particular firms and industries from harassment or persecution when those industries will not adequately or competently defend themselves. Yet division of labor is both possible and desirable in the defense of liberty as it is in other fields. And many of us, who have neither the time nor the specialized knowledge to analyze particular industries or special complex problems, can be nonetheless effective in the libertarian cause by hammering incessantly on some single principle or point until it is driven home.

Basic Principles upon Which Libertarians May Rely

Is there any single principle or point on which libertarians could most effectively concentrate? Let us look, and we may end by finding several.

One simple truth that could be endlessly reiterated, and effectively applied to nine-tenths of the statist proposals now being put forward or enacted in such profusion, is that the government has nothing to give to anybody that it doesn't first take from somebody else. In other words, all its relief and subsidy schemes are merely ways of robbing Peter to support Paul.

Thus, it can be pointed out that the modern welfare state is merely a complicated arrangement by which nobody pays for the education of his own children, but everybody pays for the education of everybody else's children; by which nobody pays his own medical bills, but everybody pays everybody else's medical bills; by which nobody provides for his own old-age security, but everybody pays for everybody else's old-age security; and so on. Bastiat, with

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

uncanny clairvoyance, exposed the illusive character of all these welfare schemes more than a century ago in his aphorism: "The State is the great fiction by which everybody tries to live at the expense of everybody else."

Another way of showing what is wrong with all the state handout schemes is to keep pointing out that you can't get a quart out of a pint jug. Or, as the state giveaway programs must all be paid for out of taxation, with each new scheme proposed the libertarian can ask, *"Instead of what?"* Thus, if it is proposed to spend another $1 billion on getting a man to the moon or developing a supersonic commercial plane, it may be pointed out that this $1 billion, taken in taxation, will not then be able to meet a million personal needs or wants of the millions of taxpayers from whom it is to be taken.

Of course, some champions of ever-greater governmental power and spending recognize this very well, and like Prof. J. K. Galbraith, for instance, they invent the theory that the taxpayers, left to themselves, spend the money they have earned very foolishly, on all sorts of trivialities and rubbish, and that only the bureaucrats, by first seizing it from them, will know how to spend it wisely.

Knowing the Consequences

Another very important principle to which the libertarian can constantly appeal is to ask the statists to consider the secondary and long-run consequences of their proposals as well as merely their intended direct and immediate consequences. The statists will sometimes admit quite freely, for example, that they have nothing to give to anybody that they must not first take from somebody else. They will admit that they must rob Peter to pay Paul. But their argument is that they are seizing only from rich Peter to support poor Paul. As President Johnson once put it quite frankly in a speech on January 15, 1964: "We are going to try to take all of the money that we think is unnecessarily being spent and take it from the 'haves' and give it to the 'have nots' that need it so much."

Those who have the habit of considering long-run consequences will recognize that all these programs for sharing-the-wealth and guaranteeing incomes must reduce incentives at both ends of the economic scale. They must reduce the incentives both of those who are capable of earning a high income, but find it taken away from them, and those who are capable of earning at least a moderate income, but find themselves supplied

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the necessities of life without working.

This vital consideration of incentives is almost systematically overlooked in the proposals of agitators for more and bigger government welfare schemes. We should all rightly be concerned with the plight of the poor and unfortunate. But the hard two-part question that any plan for relieving poverty must answer is: How can we mitigate the penalties of failure and misfortune *without undermining the incentives to effort and success?* Most of our would-be reformers and humanitarians simply ignore the second half of this problem. And when those of us who advocate freedom of enterprise are compelled to reject one of these specious "antipoverty" schemes after another on the ground that it will undermine these incentives and in the long run produce more evil than good, we are accused by the demagogues and the thoughtless of being "negative" and stony-hearted obstructionists. But the libertarian must have the strength not to be intimidated by this.

Finally, the libertarian who wishes to hammer in a few general principles can repeatedly appeal to the enormous advantages of liberty as compared with coercion. But he, too, will have influence and perform his duty properly only if he has arrived at his principles through careful study and thought. "The common people of England," once wrote Adam Smith, "are very jealous of their liberty, but like the common people of most other countries have never rightly understood in what it consists." To arrive at the proper concept and definition of liberty is difficult, not easy. But this is a subject too big to be developed further here.

Legal and Political Aspects

So far, I have talked as if the libertarian's study, thought, and argument need be confined solely to the field of economics. But, of course, liberty cannot be enlarged or preserved unless its necessity is understood in many other fields – and most notably in law and in politics.

We have to ask, for example, whether liberty, economic progress, and political stability can be preserved if we continue to allow the people on relief – the people who are mainly or solely supported by the government and who live at the expense of the taxpayers – to exercise the franchise. The great liberals of the nineteenth and early twentieth centuries expressed the most serious misgivings on this point. John Stuart Mill, writing in his *Representative Government* in 1861, did not equiv-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ocate: "I regard it as required by first principles that the receipt of parish relief should be a peremptory disqualification for the franchise. He who cannot by his labor suffice for his own support has no claim to the privilege of helping himself to the money of others." And A. V. Dicey, the eminent British jurist, writing in 1914, also raised the question whether it is wise to allow the recipients of poor relief to retain the right to join in the election of a member of Parliament.

An Honest Currency and an End to Inflation

This brings me, finally, to one more single issue on which all those libertarians who lack the time or background for specialized study can effectively concentrate. This is in demanding that the government provide an honest currency, and that it stop inflating.

This issue has the inherent advantage that it can be made clear and simple because fundamentally it *is* clear and simple. All inflation is government-made. All inflation is the result of increasing the quantity of money and credit; and the cure is simply to halt the increase.

If libertarians lose on the inflation issue, they are threatened with the loss of every other issue. If libertarians could win the inflation issue, they could come close to winning everything else. If they could succeed in halting the increase in the quantity of money, it would be because they could halt the chronic deficits that force this increase. If they could halt these chronic deficits, it would be because they had halted the rapid increase in welfare spending and all the socialistic schemes that are dependent on welfare spending. If they could halt the constant increase in spending, they could halt the constant increase in government power.

The devaluation of the British pound a few months ago, though it may shake the whole world currency system to its foundations, may as an offset have the longer effect of helping the libertarian cause. It exposes as never before the bankruptcy of the Welfare State. It exposes the fragility and complete undependability of the paper-gold international monetary system under which the world has been operating for the last twenty years. There is hardly one of the hundred or more currencies in the International Monetary Fund, with the exception of the dollar, that has not been devalued at least once since the I.M.F. opened its doors for business. There is not a single currency unit – and there is no exception to this statement –

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that does not buy less today than when the Fund started.

The dollar, to which practically every other currency is tied in the present system, is now in the gravest peril. If liberty is to be preserved, the world must eventually get back to a full gold standard system in which each major country's currency unit must be convertible into gold on demand, by anybody who holds it, without discrimination. I am aware that some technical defects can be pointed out in the gold standard, but it has one virtue that more than outweighs them all. It is not, like paper money, subject to the day-to-day whims of the politicians; it cannot be printed or otherwise manipulated by the politicians; it frees the individual holder from that form of swindling or expropriation by the politicians; it is an essential safeguard for the preservation, not only of the value of the currency unit itself, but of human liberty. Every libertarian should support it.

I have one last word. In whatever field he specializes, or on whatever principle or issue he elects to take his stand, the libertarian *must* take a stand. He cannot afford to do or say nothing. I have only to remind you of the eloquent call to battle on the final page of Ludwig von Mises's great book on *Socialism* written 35 years ago:

> Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping toward destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us. ◈

IDEAS ON LIBERTY

A Complex Problem

WHEN STUDIED with any degree of thoroughness, the economic problem will be found to run into the political problem, the political problem in turn into the philosophical problem, and the philosophical problem itself to be almost indissolubly bound up at last with the religious problem.

IRVING BABBITT, *Democracy and Leadership*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As Far As Possible

THE DISCOVERER of Australia, Captain James Cook, said: "I had ambition not only to go farther than any man had ever been before, but as far as it was possible for a man to go."

". . . as far as it was possible for a man to go." There could hardly be a better text. We should all aim to achieve in life as much as it is possible for us to achieve, to stretch ourselves to the limit of our capabilities. That is much further than most of us realize. Few people make the best of themselves. Few use to the full the gifts they are fortunate to possess. The most tragic of all wastes is the under-use of human talent.

This is not just a matter of achieving success in our chosen vocation or in the eyes of the world. It is the more difficult task of making a success of ourselves, of developing to the utmost our powers and capacities. One may achieve outstanding success in one's career and yet still fall far short of one's full potential as a human being.

Too many people set their sights too low. Their range of vision is limited. They can see only what is in their immediate vicinity. They have no far horizons or hope or ambition. They go through life unaware of the magic and poetry of existence, untouched by inspiration or imagination. To find, one must seek: to see, one must lift up one's eyes to the hills.

It does not matter that the goals we set ourselves are unattainable—all the better. The great tragedy is never to have felt the urge to rise above oneself, to be satisfied to go through life at ground level, to have no purpose beyond the satisfaction of everyday needs.

"Ah! but a man's reach should exceed his grasp.
Or what's a Heaven for?" ◈

Reprinted from the October-November, 1967 issue of *IPA Facts*, a publication of the Institute of Public Affairs, Melbourne, Australia.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The REAL Price Wars

LEONARD E. READ

EVERYBODY favors freedom, but...! Countless minds are filled with "buts" of every description and variety. So numerous are freedom's "shortcomings" that in most company it hasn't a leg to stand on. State interventionism, socialism, thus engulfs those who favor freedom, but . . . !

For instance, over and over again we hear, "I believe in freedom *but* in a free and unrestricted market we have price wars; the big fellows cut prices below cost to run the little fellows out of business after which monopoly prices may be charged."[1]

Such so-called price wars are the minor competitive pricing flurries between bakers, filling station operators, and the like. Recently, consumers in the New York area enjoyed a "coffee war." But these bids for more business are nonviolent and, thus, are not wars at all. They are nothing more than intensified, competitive pricing, offers to serve mass markets.

Actually, competitive pricing is a device for cooperating; as consumers, we look not only at quality but *at price* to determine with which supplier we shall cooperate in trade. How else are we to decide what bread to buy, with which baker we shall cooperate? Many men may cooperate to produce an item, but their customers are co-*operators* of the business, too.

True, some businesses fall by the wayside as have some 1,600 different automobile manufactur-

[1] Regardless of all the restrictions against competitive pricing in the U.S.A., in no other place or time in history has it been so much practiced. And history has no record of little-to-bigness growth so prevalent as in our country.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ers in the history of that industry in the United States. Intensive competitive pricing only steps up the rate of the dropouts; it does not alter the final decision. It simply lets all producers know sooner than otherwise how they rate in the struggle to serve self and others. And this is the way it should be. The alternative would be for consumers to subsidize every incompetent person or group in every enterprise ventured. Unthinkable!

These so-called price wars and the monetary benefits they confer on consumers are not a social problem and do not merit special attention by the student of political economy. They are mere ripples in the mainstream of open competition.

Violent Methods of Pricing Mark the Real Wars

There are, however, mighty, economy-wrecking price wars — real ones — that are rarely thought of as such and seldom diagnosed with accuracy. As a consequence, remedial efforts often tend to aggravate the conflicts and to make peaceful cooperation and trade more difficult.

We should bear in mind that violence is the distinguishing feature of war. We can infer from this that *any pricing that rests on the use or the threat of force—violence—must be defined as a price war.*

What, then, are the real price wars? Rent control qualifies, for it rests on coercive pricing. So does the minimum wage law; if anyone doubts it, let him absolutely disobey and observe the consequences.[2] The prices of wheat, cotton, peanuts, tobacco, and so on are fixed by force. Every form of price control forces either buyer or seller, or both, to deal at prices not mutually acceptable.

The strike is the perfect example of a real price war. Why? The strike is a method of pricing; strikes rest on violence or the threat thereof; thus, *all strikes are price wars.*

The strike is the markup device used by trade unions, organizations of otherwise independent sellers of labor having among their purposes the coercive manipulation of market price to their own advantage.

The striker is not content just to withhold his own services from the market; he is determined that no one else shall enter the market he has closed. Any trading must be at his price or not at all; and he will deal violently with any buyer or seller of services

[2] See Chapter III, "Strife As a Way of Life," in *Anything That's Peaceful* (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1964).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

who crosses his picket line. Governments often sanction, encourage, and uphold such violence – in effect, forcing taxpayers to subsidize (employ) the strikers.

Unwilling Exchange

Violence as a method of pricing is intimidation, not cooperation. Violence or its threat at best results in unwilling as distinguished from willing exchange. For varying periods the consequence is no exchange at all, and often exchange between combatants is brought to a permanent standstill. Strikes are price wars; indeed, *they are no less than civil wars.* The object in war is not to serve the opponent but to injure him—to gain at his expense. The grave risk is that both sides may lose.

To observe which side comes out on top in warfare is not to be sure of a winner. The side on top may be as permanently fastened in that position as is the side being held down. Both sides lose in these unfree positions. Contrast this with the mutual gain derived from the peaceful voluntary exchange of goods and services.

We should assess all violence as it affects the quality of the ideas men hold. Evaluated in this manner, it is easy to see that violence not only destroys material wealth but also downgrades man intellectually, morally, spiritually, and ideologically. Reflect on the prospects for cooperation, for instance, when one slaps a spouse in the face! Each shot fired at a human being and each threat of violence, whether in shooting or price wars, is a step away from the ideal, a blow to the creative process.

The cure for wars – including price wars – is an intelligent interpretation of self-interest. How can I realize my creative potentialities except as I be free? And I cannot be free if I am holding you down. Or vice versa! My freedom depends on yours and yours on mine.[3] This is so simple and self-evident that one wonders why it is ever questioned.

As to the price of labor – yours or mine – simply free the market by removing every trace of violence or the threats thereof. Let competition be open and unlimited. Maximize, rather than minimize, the prospects for mutual gain through cooperation. And be not misled by the claims that trade unions or governments raise the wage level.[4]

In any event, let us confine the term "price wars" to those pricing activities resting on force, coercion, violence. ◈

[3] See "My Freedom Depends on Yours" by Dean Russell. THE FREEMAN, December, 1967.

[4] See *Why Wages Rise* by F. A. Harper. (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1957).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CLARENCE B. CARSON

The Rise and Fall of England

1. THIS SCEPTERED ISLE

This royal throne of kings, this scepter'd isle,
This earth of majesty, this seat of Mars,
This other Eden, demi-paradise,
This fortress built by Nature for herself
Against infection and the hand of war,
This happy breed of men, this little world,
This precious stone set in the silver sea,
Which serves it in the office of a wall
Or as a moat defensive to a house,
This blessed plot, this earth, this realm, this England.

WILLIAM SHAKESPEARE

IT IS NOT for historians to pronounce sentence upon nations and civilizations; they are neither judges nor juries. It is proper for them only to record the fact of the rise, the decline, and the fall of nations and civilizations. It may be premature to speak of the fall of England. No conquering hordes have as yet crossed the English Channel, swept over her shores, and engulfed her in that night of disruption and chaos which can accompany conquest. No Barbarians have descended from the North to drive the natives to the mountains for a retreat to repeat an old historical process.

Yet England has fallen from its former high estate, fallen as surely as if Claudius, the Roman Emperor, had directed a new conquest, or as if some new Barbarians—in the manner of the An-

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

glo-Saxons or Vikings – had descended upon her. However, "the fortress built by Nature for herself" has not fallen to some conqueror from without this time; it has crumbled and is falling from within. It may well be that this inward decay will offer the opportunity for conquest by some foreign power, but it has not happened yet.

As is usually the case, England's decline or fall did not occur overnight. The disintegration has been going on for many years. The devaluation of the pound in 1967 was only one more in a long chain of events that signalize decline. Though the yielding up or cutting loose of England's empire is the most obvious and impressive sign of decline, it is not as important as it appears to be. Actually, the acquisition and formalizing of the imperial structure in the latter part of the nineteenth century was a sign that decline had already set in. The evidence of decline can be seen in the abandonment of free trade, the erection of trade barriers, the successive declines in the exchange value of the pound, in England's inferior trade position, in the inability to carry out obligations abroad, in the drop to status as a minor power after World War II. Underlying these outward developments can be found the loss of confidence, the failure of nerve, the abandonment of principle, the moral decay of which the Profumo Affair and mini-skirts are signs but not the substance.

Future Unknown

Whether England will continue her current fall into historical oblivion is not known as yet. It is not for historians to predict the future; they have a massive enough task in reporting the past. It is in the realm of possibility that England could become the center of a new renaissance in the future, that revival might come and a new era of greatness proceed from the British Isles. It is possible, though not likely. At any rate, a people do not necessarily disappear because they have fallen from the pinnacle of greatness. There is still a Greek people in our day, as there is a Greece; but their greatness is now more than two millennia in the past. The Byzantine Empire continued to exist for a thousand years as a civilization that was a faded reflection of Rome. Dictators in the twentieth century—Mussolini and Nasser, for example—have attempted to awaken their people from the somnolence into which they have sunk to a new effort at gaining a place in the sun; but thus far they have had little success. In short, there is no way of know-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing what the future place or direction will be of a people who have fallen. For now, however, England's fall is a fact or, if that is too precise, a trend that has been going on for a sufficient time that its character is apparent.

Historians have been understandably reluctant to record the judgment. For Americans, anyway, England is too much a part of our own background for us to welcome or even to recognize her fall. Besides, it is ungracious and probably impolite to call attention to the loss of station of another. Even so, the rise and fall of nations is of moment to peoples other than those most directly involved. If there is something to be learned from it, we would want to know it, though that learning be contingent upon calling attention to unpleasant facts. Moreover, this investigation and report is not made in the spirit of the Pharisee. We in America can hardly afford to rejoice and be thankful that we are not as the English. What has happened to them should be an object lesson having the most direct bearing for us. In many respects, these United States have followed the lead, though somewhat more slowly, of the English in the policies which have signaled and perhaps caused their decline. Their travail should be an occasion for our awakening. But for it to work in this fashion we must confront the story and its implications.

Progress through Liberty

The story of England's rise and fall is particularly appropriate for those who are interested in the effect of liberty and order in the affairs of man. The greatness of England was not simply in the far-flung Empire which she once ruled, not only in that her navy ruled the seas, never in such armies as she managed to muster, not in the pomp and ceremony of an apparently enduring monarchy, nor even finally in the vaunted stoicism and tenacity of the English character alone. England's greatness, in that nineteenth century moment of her glory, derived from the stability of her institutions, from the superiority of her product, from the confidence in the rectitude of the professed moral values, and in England's grasping and applying the idea of liberty when its time had come. For much of the nineteenth century, England was the leading nation in the world. That portion of an island known as England was the workshop of the world, the financial center for the world, the world's great market and trading center, and the nation whose political institutions were most imitated and copied. This is a part of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the story to be told here, along with its background, before going into England's fall and what occasioned it.

That England should have occupied such a place of leadership and dominance in the world for the better part of a century is amazing in itself. Moreover, it should be made clear that the period of England's leadership was more or less coincident with the flowering of modern Western Civilization. It was a feat on a par with or greater than that of Athens in Greece in the fifth century before Christ, of republican Rome in the second and first century before Christ, of France at the height of the Middle Ages, and of Italy at the time of the Renaissance. It is even more amazing when we look at the physical basis of this rise and review the usual place of England in the scheme of things.

Civilization came late to Britain and had a most tenuous hold there for more than a thousand years after its tentative coming. There is no literary record of who was there or what went on before 55 B.C., when Julius Caesar put in a brief appearance on the island and made an account of his expedition. When the Code of Hammurabi was issued, Britain had probably not been heard of in the Mediterranean. When Egyptian civilization was at its peak, the inhabitants of Britain were still in the Stone Age. When Plato wrote his famous dialogues, illiterate Celtic farmers occupied parts of the island. Following the 400-year occupation by Rome, the Dark Ages descended upon Britain once again with the coming of the Angles and Saxons, at a time when the Byzantine Empire was the far-off center of civilization.

The Mediterranean was the center of Western Civilization for several thousand years before Christ, roughly speaking, until around 1500 of our era. Britain was far removed from and, at best, on the periphery of that civilization. She was usually at the very end of the trade routes; artistic and intellectual developments reached her shores very late, if at all. Usually, Britain followed rather than led in European developments. To Shakespeare, England was a "precious stone set in the silver sea," but to the rest of the world for most of history it was a remote island with backward inhabitants and unattractive resources.

The Geography of England

Geography tells us little enough about why civilization emerges or is centered at a particular place. Historians must still ponder why Greece, with its hilly topography and meager soil, should have been

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the center of a civilization. Even more favorable locations do not explain why civilization develops there at particular times. Geography provides opportunities to a people, offers advantages as well as disadvantages for them, and helps to explain somewhat the particular course their development takes. Still, it is important to know a little of the physical features of that land whose history we are to examine briefly. For there was and is a physical base of England's development, and what was developed was made from these materials in large part.

Geographically, England is a part of the continent of Europe, though it is now separated from the continental land mass by water which is at its narrowest over twenty miles across. It is generally believed that Britain was joined by land to the continent until eight or ten thousand years ago. England is, of course, on an island. The name of the island is Great Britain. Present-day England occupies the southern and eastern part of the island; to the west lies Wales and to the north is Scotland. (England, Scotland, and Wales now comprise the United Kingdom.) Great Britain is the largest of a chain of islands which, taken together, are known as the British Isles. Before the fifth century A.D. what is now England was known, roughly, as Britain; after the coming of the Anglo-Saxons it became known as England (Angle land).

Access to the Sea

Generally speaking, England has the most favorable location on Great Britain. Wales and Scotland are hilly and mountainous; most of the arable land lies in England. The climate of England is usually mild the year around, warmed and cooled by the sea and the land mass to the east. Most of the level and rolling land on the island is in England. In the north and west of England are found the hills which contain the valuable minerals; hence, this area became the great manufacturing region. To the south and east lie the fertile lands for farming.

The coast line is broken and heavily indented, an indication of the access of the country to the sea. As one historian says, "The many indentations in the coast provide harbors which facilitate communication with the outside world. The harbors, moreover, are readily accessible to the people of the interior, for numerous rivers flow down to the sea, and no place in Great Britain is more than seventy miles from the coast."[1] Small wonder, then, that when England's

[1] W. E. Lunt, *History of England* (New York: Harper, 1956, 4th ed.), p. 6.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

time of greatness came, it should be in terms of trade, the sea, and the navy. Once England began to engage in foreign trade on a large scale, she had a decided advantage in transportation costs over most countries, and it should be kept in mind that transportation by boat along natural water lanes has ever been the cheapest mode for the carrying of goods.

A Backward People

But for most of history Britain had little impact on the rest of the world. The impact was usually exerted upon her, not from her. Whatever natural advantages the island enjoyed, they did not suffice to make the people there much of a positive force or influence in world affairs. As has been pointed out, for most of history the island was at the periphery of civilization. The peoples there were subjected to a succession of invasions from other peoples and empires, invasions that go back long before written records. There have been four successful invasions since recorded history began. Shakespeare might think of England as an impregnable fortress, but for much of history it was quite pregnable.

It is easy to understand why this was so. The island is not far from the mainland; its numerous rivers flowing into the sea afford places to land for those who come from the continent. At the same time the number of landings make defense most difficult. So long as the peoples were not unified politically, so long as no central force dominated the most accessible areas, just so long could invaders come with relative ease. To turn the proposition around, once England was organized into an effective kingdom, it became a formidable task to invade her. This occurred in the eleventh century of our era, and since that time there has been no successful invasion. The impregnable fortress, then, was not a product of environment but of human effort and organization.

Often Invaded

The first of the four invasions of recorded times was that of the Romans. In 43 A.D., the Emperor Claudius sent forces to Britain which were to succeed before the end of the century in conquering most of that territory now known as England. The Romans occupied Britain for the better part of four centuries, beginning their withdrawal in the early part of the fifth century. They brought the appurtenances of Roman civilization: the town or city, the aqueduct, the road, literacy and the Latin languages, effective political organization, and, even, Chris-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tianity, for it is known that there were Christian churches in Britain during the time of the Roman occupation.

The Romans began to withdraw from the island and eventually abandoned it in the face of a new horde of invaders in the fifth century. This was the Germanic invasion, one which swept over most of Europe and brought to Britain, according to legend, the Angles, Saxons, and Jutes. There have been efforts from time to time to brighten the traditional gloomy picture painted of this wave of invaders, to call them Germans rather than barbarians, to say that the age that followed was not as Dark as it has been made to appear. Be that as it may, the new invaders were illiterate pagans who swept all before them. They drove most of the native population out of the lowlands of Britain, or so it is believed, allowed the towns and other appurtenances of the Romans to decay and all but disappear, and the country reverted to a rather primitive agricultural condition. There was a Celtic Christian church which made some impact upon these barbarians, but not much.

Actually, literary knowledge of what was going on in England comes mainly after the late sixth century when Pope Gregory the Great sent missionaries of the Roman church to England. These succeeded in converting the Anglo-Saxons to Christianity in the course of the seventh century, by and large, anyhow. At this time in history, the Roman Catholic church was the main preserver and carrier of the remains and relics of Roman civilization in Western Europe. By its work, peoples were made familiar with the Latin language and some of the literature, with the idea of large-scale imperial organization, and with a written and codified law.

Many Small Kingdoms

In the seventh century, England was divided into a number of small kingdoms. From time to time, one or another of these dominated the others. Not much headway was made toward uniting these into a single kingdom until England was faced once again with a new wave of invaders from the north. This invasion is known as the Viking invasion, and it went on sporadically for nearly two centuries. The Danes began to arrive in England in considerable numbers around 839. For most of the rest of the ninth century warfare continued between the occupying Danes and English kings, the most notable of whom was Alfred the Great. The Danish invaders were a new onslaught of pagans, no better than pirates and raiders, creating

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

destruction in their wake, exacting regular payments from those whom they conquered.

England was quite often divided between territory controlled by the Danes and that by the English kings. The situation improved in the late ninth century and for much of the tenth, but in the late tenth century, there was a new onslaught of Scandinavians. For a time in the early eleventh century, all England was ruled by the Scandinavian King Canute, the first time it had been politically united since the withdrawal of the Romans. (It should be kept in mind that England is not very large, having slightly less territory than the state of Alabama; hence, to be divided into many kingdoms would mean that each one would be quite small.)

United England had enjoyed the rule of only one native king (Edward the Confessor) when it was subjected to yet another invasion—that of the Normans of William the Conqueror. This time there was nothing gradual, imprecise, or vague about the invasion. William made claim to the throne of England upon the death of Edward, invaded with his Norman soldiers in 1066, defeated Harold Godwin at the Battle of Hastings, and got the Witan to proclaim him king. He proceeded to remove the basis of all resistance to him and to organize the whole kingdom under his great tenants-in-chief (barons). For the next 150 years or so, England was little more than a fief of a line of Norman and Angevin nobles, and the sway of France became in some ways more decisive from the early thirteenth century onward.

The Norman Invasion

The point of this brief review of the history of England is to emphasize the obscurity, backwardness, and impotence of Britain through most of history. It is a history filled with subjection to foreign invaders, of a people with a tenuous and unsure hold on civilization, of a people being civilized (sometimes) rather than engaging in the work of civilization.

Matters did improve somewhat after the Norman invasion. Since that time, there has never been another successful foreign invasion. Continuing political unity was established for England by the Normans and their successors. England even began to contribute to civilization; there were many famous English scholars and thinkers of the High Middle Ages: Anselm of Canterbury, John of Salisbury, Roger Bacon, Robert Grosseteste, Duns Scotus, William of Ockham, among others. France, however, exerted the dominant influence in the High Mid-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dle Ages; England was still at the edge of civilization, though no longer at the outer edge. At any rate, Medieval civilization disintegrated in the fourteenth and fifteenth centuries. England was finally disentangled from France by the middle of the fifteenth century, but the Hundred Year's War which had this result was followed by a civil war in England for most of the latter part of the fifteenth century, a war which signalized the breakdown of the old lines of political authority. England's influence upon Europe and the rest of the world at this point was almost nonexistent.

England's Gradual Emergence during the Sixteenth Century

Looking back from our vantage point, we can see that by the early sixteenth century the stage was being set for England's emergence, if not to greatness at this point, at least to be a nation on a par with other nations. The reign of the Tudor monarchs was marked by many momentous developments: the Northern Renaissance, the Protestant and Catholic Reformations, the rise of nation-states, and, of equal importance, it was the Age of Discovery. The strategic location of the British Isles was greatly altered by the discovery of America. The *Encyclopaedia Britannica* notes that the "Age of Discovery changed England from a land at the edge of the known world to a collection of harbours in the centre of the land hemisphere and at a prime focus of maritime routes." Thereafter, England was no longer on the edge of developments. The Tudor monarchs established the monarchy at a new peak of power, brought comparative political stability to England, separated the English church from Rome, and began to assert English power upon Europe. During the reign of Elizabeth I (1558-1603), England emerged as a sea power and was the scene of a considerable literary outpouring (the Age of Shakespeare). English was made into a powerful and effective literary language during this period.

Even so, England was still a long way from the greatness which influences and dominates a civilization. Spain was the dominant power of Europe for most of the sixteenth century. Probably, there was no one dominant power for the first half of the seventeenth century; much of Europe was immersed in the wars of religion. France would emerge once more in the latter part of the seventeenth century as *the* great power of Europe, and her influence was prevalent during the Age of Louis XIV. England's rise to power and influence would come in the eight-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

eenth century and reach its culmination in the nineteenth.

Degrees of Civilization, Power, and Influence

But before detailing that story some premises need to be stated and the situation just prior to England's rise needs to be examined. I have spoken of civilization, of power, and of influence; they have been treated implicitly as values. There are, however, civilizations and civilizations; there is, in like manner, power and power, influence and influence. Civilization, any civilization, is, I think, preferable to an absence of civilization, if such a choice were to be made. Civilization implies order, stability, and shared values over a broad geographic area. It provides conditions within which trade and exchange can take place among peoples, peaceably and profitably. There are, of course, degrees of civilization, and the benefits of it may be reserved to a few. Thus, Medieval civilization was exclusive, and many of the opportunities and benefits were monopolized by a few. Great works of art may be produced as a result of the scantily rewarded toil of the many.

In like manner, the power of a nation may be used to subdue peoples and subject them to the whims of a ruling class. Influence may be disintegrative as well as integrative or helpful. As such, power and influence have little or no positive value. They are valuable only when they are put to constructive use and when they are inhibited as to harmful uses. A truly great civilization is one in which the powers of governments are limited and the energies of people—as many people as possible— are released to constructive uses.

This was hardly the case in sixteenth and seventeenth century Europe. Power was increasingly concentrated in the hands of monarchs who frequently employed it quite arbitrarily. The actions of people were often little more than the reflection of the will of the monarch. "I am the State," proclaimed Louis XIV, and the Stuart monarchs of England failed to echo the sentiment only because they did not dare. Civilization, such as it was, existed mainly for a very few people. People all over Europe lay under a heavy burden of restrictions, oppressive impositions, and persecution. Their energies were channeled and inhibited by the state. England was little, if any, better than other lands. If she had been powerful and influential, it would probably have been little more than the power and influence of a royal court upon privileged classes. England would

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

become more civilized before she would be worthy of imitation.

There is another matter that needs to be dealt with before taking up the foundations of the rise of England. Ever since the latter part of the nineteenth century there have been a considerable number of intellectuals who have romanticized the supposed idyllic rural life of an earlier England and heaped scorn and blame upon industrialization for hardships which occurred and poverty which existed. There is no better way to set the record straight in this regard than to expose conditions as they were in pre-industrial England. Along with that, it will be valuable to look at the state of freedom, or lack of it, in pre-industrial England. As should be well known, the amazing emergence of England to world leadership occurred after the release of the energies of the people of England by providing substantial liberty and in conjunction with England's industrialization. The point needs to be placed in relief by contrast with despotic and rural England. ◈

The next article in this series will relate to "pre-industrial England."

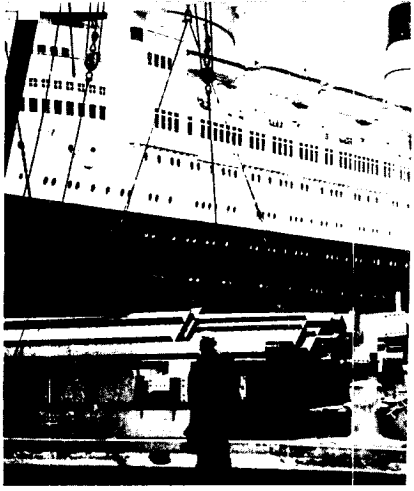
IDEAS ON LIBERTY

The Pursuit of Knowledge

WHENEVER a new property of any substance is discovered, it appears to have connections with other properties, and other things, of which we could have no idea at all before; and which are, by this means, but imperfectly announced to us. Indeed, every *doubt* implies some degree of *knowledge;* and while nature is a field of such amazing, perhaps boundless extent, it may be expected that the more knowledge we gain, the more doubts and difficulties we shall have; but still, since every advance in knowledge is a real and valuable acquisition to mankind, in consequence of its enabling us to apply the powers of nature to render our situation in life more happy, we have reason to rejoice at every new difficulty that is started; because it informs us that more knowledge, and more advantage are yet unattained, and should serve to quicken our diligence in the pursuit of them. Every *desideratum* is an imperfect *discovery.*

JOSEPH PRIESTLEY, *The History and Present State of Discoveries Relating to Vision, Light, and Colours,* London, 1772

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



A. Devaney, Inc., New York.

Steel Imports AND Basic Principles

WILLIAM B. BOYD

OF COURSE, I am as vitally concerned as anyone in the import troubles of the steel industry, but these troubles are only a part of a much greater problem and I think we must lift our gaze above the morass of statistics and political maneuverings – above and beyond the steel industry itself – to see what is really happening here. We must take a look at the basic principles involved.

I know we can all agree that the proper way to solve a problem is first to find its cause and then to remove that cause. The people of the American Iron and Steel Institute assume that their troubles come from foreign governments and producers, low foreign wage rates, and our State Department. Certainly these are contributing factors, but I believe that by far the most important cause is the actions and interventions of our own government – all departments and all levels – and of the labor unions to which government has given such great powers and privileges. Consider how our costs are skyrocketing because of high taxes, depreciation of our money, harassments, controls, regulations, strikes, union-imposed uneconomic wage levels, and inefficient work practices. These are the results of government actions, and they are forcing us to price ourselves right out of the market.

If you don't believe it is our own government that is at fault, consider an industry which is little if at all affected by foreign governments, foreign producers, and foreign wage scales. Take the railroads – the New York, New Haven & Hartford in particular.

Mr. Boyd is President of the Chapin & Bangs Company of Bridgeport, Connecticut and a director of the Steel Service Center Institute. This article is from his statement to the Board of Directors of the Institute in October, 1967.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This road has been murdered by our own government and its creatures, the railway unions. It has been heavily taxed by all levels of government, its rates have been controlled, its operations have been regulated, it has suffered from strikes, featherbedding, and uneconomic wage rates, and on top of this, government has built competing highways along its tracks and subsidized competing modes of transportation. It has been ruined by its own government without the aid of foreigners and now, no doubt, will be completely taken over by government. And this will be the fate of many more industries if the present trend is not reversed.

Why is government doing these things? The people in government are taking these actions because they believe the proper function of government is to guide and control our economy for "our own good" – that we are too stupid and greedy to run our own affairs. And we have such a government because the overwhelming majority of the people in this country have accepted and believe in statist ideas.

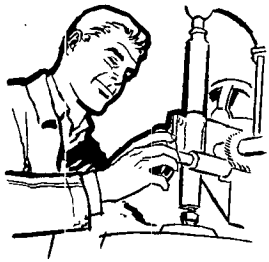
If this is so, then it would be futile to run to government – the very perpetrator of our troubles – and ask for yet another political intervention to compensate for uneconomic practices already in effect. It would also be inconsistent with belief in the free market which we profess.

So what we need is not *positive* government "help" (tariffs, quotas, embargoes, subsidies) but *negative* government help (revision of the labor laws to strip the unions of special privilege and power, reduction of taxes, a balanced budget, sound money, abolition of government controls and intervention in business) – in other words, a move to the free market and a constitutionally limited government.

Ideas must be fought with ideas, not with force. What we should do is demolish the prevalent ideas of statism and then win acceptance of the sound ideas of the free market, private property, limited government system.

This is a tall order and not something to be done overnight, but it seems to me the only sound way. It is a matter of enlightenment and education because ideas precede and determine actions; people act in accordance with their beliefs. Good politics will follow good thinking. First, then, we must develop our own understanding; for light attracts, and thus the ideas of freedom will spread. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



TOOLS

JASPER E. CRANE

A PROMINENT AMERICAN industrialist made a trip through the Orient recently, and in every country he visited from Russia to Hong Kong and Japan he met and talked with the ruler of that country. In every one of these conversations he would ask what he called the "$64 question"—"You have heard of the high standard of living in the United States. What do you believe to be the cause of America's prosperity?" Most of those interviewed replied that it was our abundant natural resources with plentiful raw materials. The industrialist would then state that this was quite untrue, that some of these countries had more natural resources per capita than we did in America. The ruler of the country would then flounder about, but not one gave a reasonable reply. For instance, Nehru of India, a great man with complete authority over more than four hundred million people, thoughtfully considered the question and finally came out with the reply, "You're lucky."

Yet, the true answer to the $64 question is simple – the provision of tools in a free country.

That answer is clearly manifested in our own country's history as well as in other past and contemporary events. At the end of the eighteenth century, immediately after Independence, Americans turned to making things which the British, with their policy of mercantilism, had not permitted the colonials to do. There developed a great center of industry on the little Brandywine River, with 120 mills on the last twenty miles of that stream. Elsewhere, the growth of manufactur-

Mr. Crane is a retired chemical manufacturer of Wilmington, Delaware.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing industry throughout the country was prodigious. The tremendous release of energy among free men was the potent factor in manufacturing enterprises throughout the new nation. "Yankee ingenuity" was often spoken of, but the outburst of energy and the reasons for it have seldom been explained. It proceeded at an accelerating pace.

Throughout human history there have been occasional occurrences of increased freedom in various places, always accompanied by increased production and a better standard of living. The correct answer to the $64 question explains why this is always so.

We have recently witnessed the phenomenal progress of Western Germany. Prostrated by military defeat and in dire trouble in 1948, its situation seemed hopeless. Vice Chancellor Erhard consulted W. Röpke, the great economist at Geneva, and he advised, "Try freedom." Thereupon, despite the remonstrance of American officials in Germany, controls were taken off of wages and prices. In this climate of freer enterprise, the rebound of the German economy was theatrical. West Germany soon became the most prosperous country in Europe, with a much higher standard of living for themselves and for over six million refugees from communist countries. Moreover, they brought into their country great numbers of workers, particularly from Greece and Italy.

All goods and services are produced by changing the form, condition, and place of raw materials with the aid of human energy and tools. These are the three factors of production – human energy, raw materials, tools.

About 78 per cent of all private goods and services produced in the United States in 1965 came from firms using the corporate form of organization. The remaining 22 per cent of production covered the output of nonincorporated agriculture, shopkeepers, professions, personal and business service industries, and other unincorporated enterprises.

The relative importance of the three basic factors of production in noncorporate enterprises is difficult to judge, for lack of statistics, but some figures are available for corporate industry.

What Are Tools?

Tools are instruments of production (in addition to natural resources and human energy, mental and physical) – cultivated land, mechanical power, buildings, machinery, equipment, and apparatus of all sorts.

The use of tools by all animals other than man is practically nil.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

They use unchanged the raw materials presented by nature. Charles Kettering told the story of travelers in Africa who would sit around a bonfire to counteract the chill of the evening. When they retired to their tents, monkeys would come down from the trees to warm themselves by the fire. And, he added, no monkey was ever known to put a piece of wood on the fire!

One of Aesop's fables tells of the quarrel between the organs of digestion, each claiming that it did the major part of digestion and was not properly rewarded for its work. Their proper proportions of the digestive process can hardly be determined. However, the factors or elements of production of goods and services can be approximated by considering that a worker in the highly industrialized United States produces at least twenty times as much as a coolie laborer with only a tool such as a basket or other simple instrument. The toolless coolie is paid a few cents a day; the average American factory worker received $20.88 for an eight-hour day in 1965.

A prominent clergyman visiting Egypt found his sense of justice and decency offended by the fact that the "fellah" was paid only twelve cents a day. Yet, examination of the total income of Egypt showed that if it were divided equally to all the people, the daily wage would be thirteen cents a day. It wasn't a question of distribution of income to be corrected by a sense of charity; for that was all the "fellah" could earn in the Egyptian economy. What they needed was more tools.

In America, the corporate investment in tools averaged over $12,000 per worker last year, and in some industries, such as petroleum, it ran as high as $97,000 per worker.

Analysis of the facts of private production in the United States indicates that raw materials – the value of ore, oil, and minerals in the ground; uncultivated land; standing timber in the forests; naturally occurring raw foodstuffs; and the like – account for about 2 per cent of the final price paid for goods and services in a free market. In some products, such as textiles, raw materials may constitute as much as 6 per cent of this final value; but the average for all goods and services seems to be approximately 2 per cent. About 4 per cent of end values may be ascribed to unassisted human energy, physical and mental. About 94 per cent of the value of private goods and services produced in the United States, therefore, may be attributed to the use of tools. This high figure at-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tributable to tools may surprise those who have not studied this matter; but it will be realized that production in other times and, sadly, even today in some places, depends on slave labor and crude tools.

Today in the United States, every worker has sixty "slaves" working for him in the form of mechanical power. Several times more power is released by the automobile than by all other mechanical energy and only a small portion of this motor car energy is used for production purposes. So we modify the statement above, the correct figure being close to twenty mechanical slaves for each worker, and that worker is paid seven to ten times as much as is paid out in dividends.

The truth of this is evident when we consider how much useful work a man can do on a farm or garden with only his bare hands as tools, and how dependent we are upon even the simple farm tools for winning livelihood from the land. It is clearly revealed when one sees in backward lands farmers plowing with a wooden plow or sharpened stick. One must realize that the amount of a farmer's production has been multiplied many times by the complicated and efficient farm machinery available today in the United States.

The proof of these assertions is clearly shown by the fact that when the white man came to America the estimated Indian population was two hundred thousand — all the country could support in their practically toolless economy. Today, there are two hundred million inhabitants (including almost four hundred thousand Indians) with a per capita income twenty-five times that of the Indian before the white man came.

The production of automobiles is truly marvelous. The assembly line was one of man's greatest inventions. A leading automobile manufacturer some years ago experimentally constructed an ordinary car by bringing simple tools to the point of manufacture, similar to the way in which a house is built. The result was a cost of $10,000 for that car, whereas his company was selling the model at the time for less than $2,000.

Another instance of the value of the best tools was given to me while visiting one of the largest motor car manufacturers in a foreign country a few years ago. The manager of the plant, and a great admirer of American methods, said that it cost them eighteen cents a pound to produce a car of the Chevrolet type; whereas, in Michigan the cost was ten cents a pound for the same type. Yet, the American worker received

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

three times the daily wage of the worker in the plant abroad. They still had a long way to go in reducing manual operations and using better tools.

How Are Tools Supplied?

In a free country, investors in companies supply tools for use by the worker who has not sufficient capital to buy them himself. Such companies are in competition with other corporations in the same line of business. The payment investors receive for the use of tools they supply for manufacturing purposes averaged about 4.8 per cent of the market price of the goods produced over the past decade.

In a socialist country, government supplies the tools, but at a high cost. For instance, according to figures for Russia released some twenty years ago, the government in effect owned all tools and supplied them to the worker at markups averaging over 15 per cent of sales. Thus, the Russian worker at that time, although he did not realize it, was paying three times as much for his tools as did the American.

"Surplus Income"

So-called "surplus income," both private and corporate, is not only a mighty force in helping to finance charitable, community, educational, and religious organizations, but is the principal source of the funds for providing tools.

Socialists claim that they will finance their services by appropriating "surplus income," by which they mean corporation profits and private income beyond the necessities of life. Every such effort has failed. Bismarck, taking over the Sozial Politik from the socialists, thought to finance it by seizing the railroads and employing their income for the government's social services. Soon, railroad income turned into deficits. Heavier taxation followed and, finally, war and disaster.

Britain employed the Marxian formula of heavy and steeply graduated income taxes. This destroyed private fortunes. Clement Atlee boasted that while there once had been several thousand personal incomes of $16,000 or more per year after taxes, now there were only sixteen such fortunes left in the country. The deficits of British socialism have outrun the loans and gifts from America. Now the "luxuries" of the people — "beer, baccy, and bedding" — are taxed to fuel the socialist state. The resulting poverty, particularly in formerly thrifty Scotland, is appalling. But it is the consequence of government ownership and control of industry. And in Britain, as in other

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

welfare states, what cannot be taxed directly is confiscated through inflation.

Industrial Development

So-called "surplus income" is important in an economy, for out of corporate profits and the savings of the people comes the money needed to buy the tools. In fact, successful corporations and other cooperative enterprises retain much of their income for the renewal, improvement, and expansion of tools. This vital point is often ignored, people imagining that once an industry is fully operating, it needs no further supply of tools. The success of any industry depends on keeping its tools up-to-date by repairs, replacement, and improvement. This vital supply of equipment comes from adequate charges for depreciation and obsolescence, from income retained and invested in business, and from additional capital supplied by investors. Corporation dividends, along with personal savings such as are invested in savings banks and life insurance, are important phases in the process of providing tools.

The most valuable public-service income in any country is the part of savings used for buying tools. Capital formation in plant and properties is the life blood of a successful corporation, enabling it to continue and increase its services to customers. If earnings and savings are insufficient to meet the needs and growth of the business, the corporation goes downhill or succumbs. And a nation that thus cuts off the source of tools is destined to lose position in the world and dwell in poverty.

Those of socialistic philosophy object that the use of tools is at the expense of employment, that it throws people out of work. Historically, in England, the early use of labor-saving machinery was violently fought and the new equipment often destroyed on the ground that men were losing their jobs. The record shows, however, that labor-saving machinery not only lifted drudgery from men's backs but also greatly increased the production of goods and services, creating new jobs and greater income for all.

That the process of industrialization, the saving and investing in tools, is further advanced in the United States than elsewhere explains our high and rising wage rates and level of living. And of total corporate income in the country, 85 per cent goes to employees — the users of tools — and 15 per cent to the suppliers.

So, let us beware of foolish talk about the evils of this tool-using age! Let us not kill the goose that lays the golden eggs! ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OLD AND NEW INTERVENTION

HANS F. SENNHOLZ

MUCH confusion and controversy flow from the difference between old and new government intervention. Some people look only at old intervention, some only at new, each unaware of the other phase of intervention. In debating the desirability of certain policies, many disagreements spring from the fact that different people see different phases of intervention.

The distinction between the two rests on strict theoretical analysis and can be defined precisely. Old intervention is that government restriction or interposition to which the economy has fully adjusted. And we speak of new intervention when the economy has not yet adjusted to the new data, or is in the process of adjustment. The difference is crucial in any appraisal of the effects of government intervention.

Take, for instance, a corporate income tax, which is a popular form of intervention. A tax newly imposed, a new surcharge or a rate increase, immediately reduces the profitability of business. Companies earning high profits must curtail their expansion or modernization projects or reduce dividends. Those companies that had barely earned interest on the capital invested, or had just broken even, will be made "submarginal" by the tax. Their yields will fall below the minimum level needed to attract and preserve the necessary capital. The new tax causes these companies to curtail their operations, close plants and other facilities, and lay off some workers. Output declines and the supply of goods and services is diminished. There is business stagnation – a short-run effect of the new tax.

Wages now tend to decline, or at least stay lower than they otherwise would have been. Other business costs, too, are reduced gradually until various enterprises become profitable again and capi-

Dr. Sennholz heads the Department of Economics at Grove City College, Pennsylvania.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tal once more is lured back into investment and production. In fact, gross yields return not just to the pre-tax level, but rise above it to cover both the new taxes and the net yield of capital. Inasmuch as the government consumes some capital in the process of intervention, the yield per unit of capital tends to rise even higher while that of labor declines.

The new tax levy also causes a shift of production factors from employment for the people to that for the government. Capital goods industries and consumer goods industries tend to shrink while the "government sector" expands. This shift is facilitated and guided by price changes that point up the change in purchasing power.

All these are short-term effects. The economy gradually adjusts toward a new equilibrium that takes the new tax into full account. The long-term effects include the shift of production factors, the reduction of marginal labor productivity, and the rise in marginal capital productivity. They are less conspicuous than the short-term effects and difficult to demonstrate. After all, who can perceive what would have been in absence of the tax? This is why interventionists often deny that there is any undesirable effect of a new tax, a new surcharge, or a rate increase. They point at old taxes imposed ten or twenty years ago and at the new equilibrium, and fail to see any ill effects of rising taxation. They have forgotten the months and years of stagnation.

Deficits, Old and New

Or, take a government deficit as a new datum with many-sided effects. In the short run, the deficit burdens the capital market, drains it of loan funds, and causes interest rates to rise. Businessmen must curtail their borrowing because many projects no longer are profitable at high interest costs. Business stagnates insofar as it had been relying on the capital market. This is a short-run effect.

The stagnation bears all the symptoms mentioned above. Of course, the immediate beneficiaries of the deficit gain temporarily. When the budget is finally balanced, or the drain of loan funds ceases to strain the market, economic conditions achieve a more normal pattern.

In the long run, when all adjustments have taken place, there remains only the hole in capital reserves torn by the deficit. Economic development is retarded permanently.

In recent decades Federal deficits were often financed by inflation. Weak administrations lacked the courage to boost taxes that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

would cover the growing government outlays. And the capital markets could not absorb the extraordinary demands of the U. S. Treasury. Therefore the Federal Reserve System, which is the ultimate source of paper money, the U.S. engine of inflation, was called upon to "assist" the Treasury operations. It created the money to cover the budget deficits.

Inflation is a short-run policy. It raises the prices of goods at the point where the new money enters the market. Business becomes more profitable when sales increase and prices rise. This is what makes inflation so popular in the short run.

But after the pleasant boom effects, a recession usually follows. The previous maladjustments become apparent through soaring business costs, declining profit margins, and cancellations of orders. Some businesses suffer losses. The recession is also a short-run effect, although this particular effect or reaction may develop several years after the initial inflation.

The long-run effects of inflation are those that remain after all economic adjustments have taken place. The purchasing power of the money unit is reduced permanently; goods prices stay higher. Some people, especially the creditors, have suffered permanent losses in income and wealth; others have reaped permanent gains. Many years later, when the economic adjustment has run its course, it is impossible to ascertain the precise effects of the inflation. After all, who can calculate what economic reality would have been in a myriad of aspects without the inflation of 1914 to 1920? The short-run effects are forgotten, and the long-term effects are open to academic speculation only.

Government Regulation and Control

When a government resorts to legislation or regulation that aims to benefit some people at the expense of others, it effects changes that are short-term and long-term. Whether it aims to alleviate poverty, eliminate slums, improve transportation or communication or labor relations, or give tariff protection to industry, government intervention bears consequences that deserve economic analysis.

Urban renewal, for instance, is very popular with government planners because of some long-run effects. Planners are animated by the visible changes – new expensive buildings, broad boulevards and large plazas, museums and libraries, theaters and operas, public parks and, of course, the new Federal building and city hall.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But the planners usually fail to perceive the invisible effects which are very real and permanent. After all, urban renewal consumes vast quantities of resources and human labor. It tears down and lays waste old housing, in order to erect the new. And all expenses, whether covered by Federal grants, state aid, or local levies, are borne by taxpayers. These people are forced to forego enjoyment of countless goods and services so that the Federal building and city hall may be constructed.

The short-run effects are twofold: curtailment and recession of all those industries that must forego the capital, labor, and resources now put into urban renewal; and temporary prosperity and expansion of those construction industries engaged in the renewal. When the renewal is completed, all affected industries must adjust anew.

Or take the case of industrial protection by tariff. In the short run, an industry receiving such government favors may benefit. The new tariff reduces the available supply of competing goods and raises prices. Profit margins improve, employment expands, and wages may rise. But behind the new tariff wall the profitable conditions now invite expansion of domestic competition. New capital and labor enter that line of production until its attractive profit margins are erased. A few years later, when all necessary short-term adjustments are completed, the protected industry once again faces the very conditions that caused it to plead for protection.

The foreign industries discriminated against by the new tariff levies suffer lower sales, business losses, and unemployment. Similarly, the export industries in the country imposing the tariff face losses and depression because exports tend to fall when imports are restricted. After all, foreigners need to earn foreign exchange through exports in order to import.

The long-run effects remain when all production factors have fully adjusted to the tariff levy. The international division of labor is disrupted and trade is diminished. In all countries affected, the factors of production have been channeled into less useful employment. Goods prices are higher and standards of living lower.

Whether government intervention is old or new, it reflects the substitution of political action for economic choice, the rule of politicians over consumers. And the result is bound to be a net reduction in the satisfaction of human wants. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Moral Premise and the Decline of the American Heritage

PAUL L. ADAMS

MAN in his very nature has need of a major premise – a philosophical starting point or Prime Mover, as it were, to give reason for his being, direction and order to his thinking, and initiative and impetus to his actions. With the Christian, this basic assumption stems from the belief that God, by Divine fiat, created man as a moral, rational being with freedom of choice, and that exercise of will and choice in both the moral and physical frames of reference is an awesome but unavoidable fact of existence.

Man's choice to partake of the "forbidden fruit" provided him with the promised knowledge of good and evil, but along with it came an incalculable complication of his circumstances. Nature became a challenge to his physical existence. Other people constituted to him a confused complex of variant relationships that ranged from love on one hand to virulent hatred on the other. God faded from his consciousness, and with that loss went also the meaning of man's struggle. Man was thus lost in the only sense in which he could be really lost, and the need was therefore critical for a major premise which promulgates for man a supreme purpose for life, a purpose which justifies the physical hardship, the social conflicts, the spiritual struggle, and the disappointments with which life is filled. Only such a premise delivers life from the insanity it sometimes appears to be – struggle without hope, achievement without happiness, victory without exaltation, death without resurrection.

Dr. Adams is Academic Dean of Roberts Wesleyan College. This article is from his address before the Sons of the American Revolution, Rochester, New York, November 11, 1967.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Man, himself, throughout the concourse of his history has given ample evidence of his longing and need for an all-embracing purpose. He knows so little that is perfect, yet he always looks for perfection — a seminal response which derives from the moral image in which he was originally created and the perfection of the environment in which he found himself. Though corrupt by his own choice, he still yearns for the ideal, like some earthling wandering in a cosmic wasteland dreaming of the green hills of earth. Basically, he seeks a society which will fulfill his demands on nature, ameliorate his relationship with his fellow man, and provide the ultimate reason for existence. In the search, man's thinking has led him, inevitably, into metaphysical and ontological problems, to a consideration of the first principles of all existence.

It would be presumptuous, indeed, for me to attempt a definitive statement of the major premise with its detailed ramifications, and presumption is, among college professors, a sin of great magnitude. Perhaps, however, one might conclude that within such a premise are these parts: Man is a spiritual being, created by God and endowed with the freedom and responsibility of moral choice; his purpose in living is to glorify God by exercising his reason toward those ends that his highest moral nature urges, and his task is to refine his intelligence, develop his creativity, discipline his conscience, and clothe himself in robes of righteousness.

The Moral Premise — Like a Golden Thread

Man has never been without some first principle, some major premise, sometimes consciously, more frequently unconsciously, held up before him. It runs in some form like golden thread through man's history, and it may be noted in various efforts and forms that mark man's societal action. The Israelites had in Jehovah God the source of law in the observance of which was life. The Greeks promulgated *Natural Law* as an absolute reference point for man's excursions into lawmaking. The Romans embraced Stoicism and with it the Natural Law concept which, in the Western world, yielded place to the Divine law of Christianity. This is clearly seen in the Gelasian theory which placed absolute value on the sword of spiritual power.

All of these systems with their varied premises failed to produce the ideal society. The Hebrew system ended, oppressed by evil and corrupt kings. The Greek system, even in the Golden Age of Pericles,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

was marked by corruption, vice, weakness, and personal lust for power. The Roman could observe the cruelty and injustice of his state, and he suffered from tyrants who plundered the poor to lavish wealth on the idle, sensual, and effete nobility. The slight amelioration that feudalism supplied was due chiefly to the fact that there was less economic distance between master and serf — for goods were fewer, even in this paternalistic social order, and pillaged more frequently by incessant warring. Certainly, there was little understanding of nature, no mastery of production, and a very low level of social justice. Seemingly, man was destined to a perpetual slavery only thinly disguised in an embracing paternalism that left him without hope.

Christian Europe was not without hope, however, for the sixteenth century saw a rebirth of the idea that man was free, must be free. Dramatically stated first in theological terms, the fuller implications in nontheological terms were soon asserted, and Europe began a long and costly march toward freedom. Costly, for human liberty has never been secured or maintained without sacrifice, and it was our own Jefferson who said, "Every so often the tree of liberty must be watered by the blood of patriots—and of tyrants."

The American Foundation

With all of the foregoing in mind, it can be assumed that those who raised a new nation on this continent had a wealth of history on which to draw. The responses of our forefathers were partly the product of a vicarious intellectual empiricism and partly the intuitive conclusions of liberty-loving men playing it by ear. What these men gave to America and the world was the moral premise embedded in a philosophy of moral absolutes. It was shaped and nurtured in the minds and hearts of people who recognized in it the last, best hope of man. These forebears of ours were of the breed of men who count not their own lives dear unto themselves; they were prepared to die for America and for freedom. Need I remind you that it was a young man not yet twenty-two who said in a last magnificent moment of life, "I only regret that I have but one life to give to my country"?

These great men espoused a moral absolute which accepted God as creator, as ultimate Truth, and they believed man to be a moral creature, responsible to God, and capable of discharging that responsibility only through freedom of choice. It logically follows, then, that freedom is more than just another attribute. It is so essential that life without it loses signifi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cance. These Founding Fathers saw in freedom and liberty the only perfection a human society can know, for in freedom's house the individual can shape his own perfections and follow his noblest aspirations. The exercise of freedom, then, is for man the perfecting of his humanity – not that the exercise will ever be perfect, but the continuing exercise represents a constant affirmation of the eternal principle that man can find himself only in God.

Limited Government

These men of great vision clearly understood that the only real threat to liberty and freedom is government, for men assign a sanctity to government not accorded to individuals and groups. But government is a faceless thing and can hide the predators who lurk behind its façade and exercise its function; and governments assume, quite naturally it seems, government's right to a monopoly of physical force. Fearing government, and the natural tendency of power to beget power, these men established a constitution which attempted to assure man's freedom by limiting the sphere of government to a workable minimum. The clear intent was to magnify the responsibility of the individual and subordinate government to its primary function of serving freedom's cause.

Even among its most ardent devotees, there was never any suggestion that this Constitution was a panacea for all the social ills to which man is heir. There was no guarantee of identical status for individuals or groups. There was no promise of material rewards. There was only the implicit assumption that freedom and liberty were their own rewards and worth any sacrifice. The Constitution promised only the system itself, but under it liberty and freedom were to be nurtured. It was Benjamin Franklin who saw the only flaw, and he stated it in simple terms when he suggested that perhaps the people might not keep what they had acquired. It was George Washington who stated in eloquent prose that liberty is guaranteed only by the eternal vigilance of those who share its vision.

These architects of nation were men of great faith – faith in the substance of things hoped for, the evidence of things not seen – faith in their vision of a vast land and great people – faith in the triumph of truth over error, of justice over injustice, of right over tyranny, of knowledge over ignorance, of reason over prejudice, and the ultimate triumph of eternal values over the temporal. Faith in such a vision together with commitment to the program for its

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fulfillment constituted in their thinking an irresistible force that would shake the world – and it did. In addition, it gave rise to a compelling spirit of national mission.

Eternal Vigilance

It is a truism that tragedy lurks close to the surface of all enterprises of great pith and moment. George Bernard Shaw suggested that there are two great tragedies in life. One is to not get your heart's desire; the other is to get it. The observation is so applicable to the American scene that it arouses almost a response of sharp physical pain. America had her great dream, her grand design. History provided her with the opportunity to realize it. So she avoided the first of the tragedies that Mr. Shaw suggested. The alternate tragedy was left to be realized, for tragedy must follow the failure to understand the tremendous demand such a society places on the individual. It calls for enormous self-discipline in behalf of freedom's pre-eminent claim; it requires a conscious articulate sensitivity to freedom's climate; and it mandates a firm dedication to freedom's methods and goals along with a determination to live with the results.

It is not debatable that we have had an imperfect and uneven performance in this regard. The student of American history recalls the demarché of the Federalist party into unconstitutionalism to retain power. It can hardly go unnoticed that there were those who were blind to the implications of education for a substantial segment of our society, including women. Even more compelling shortly after the centennial year of Appomattox Court House is the thought that there were those who insisted on the immediate attainment of their ends and refused to recognize longer that the Constitution provided a certain, if slow, mechanic for resolving great inequities and injustice. This impatience sent men to graves like beds and finally resulted in the slaughter of more Americans than World War I and World War II combined.

Unhappy though these examples be, we note with satisfaction that the Federalist returned to make the great right decision in 1800, and that educational opportunity has approached universality in this nation. We could even say that although the larger lessons of the so-called *irrepressible conflict* were lost on us, we have at times demonstrated our belief that the nature of our system cannot be defined in terms of any appeal to the doctrine that might and right are inseparable.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

With liberty and freedom identified in the Constitution and accepted as the norm for human action, we demonstrated a vitality and creativity that produced achievement which first caught the attention of the world and then beckoned her disinherited millions to the "lifted lamp beside the golden door." We enlarged individual opportunity, secured religious toleration, and established the basis for political diversity and cultural pluralism. We educated the masses, refurbished the concept of individual justice and charity, and we took over leadership of the revolution in communication, transportation, and production. Our free market led the world in the production and distribution of goods for the benefit of all classes. Somewhere along the line, too, we began to develop a distinct literature of merit and other artistic forms. Finally, and without great fanfare, we assumed world leadership in moral idealism as a natural concomitant of our commitment to principles based in the eternal verity of the moral law.

Obstacles to Be Overcome

Such have been the fruits of the American system, and such a nation or system, meeting as it did man's age-old search for an ideal society, should fear no challenge. Nature had been transformed into an ally; a beginning had been made toward a solution of the omnipresent problem of human relationships; and man's right and need to know and experience God had been left unrestricted. We who received such a heritage should fear no challenge, yet we are alarmed by a challenge of so great a magnitude that we seem unable to plot its dimensions. Wisdom and intelligence, however, as well as the instinct for survival dictate that the problem must be stated, understood, and attacked.

There are those, undoubtedly, whose disquiet is solely in terms of the problem posed by nuclear physics. These people might think beyond it, but the possibility of a nuclear war produces in them a trauma that makes further rational thought on their part impossible. Those of whom this is descriptive tend to view the great ultimate catastrophe as physical death, forgetting that the great moral premise assigns little significance to the fact of mere physical existence. They would establish a new commandment which may be simply stated, "And now abideth the mind, the spirit, the body, these three, but the greatest of these is the body." It is not to be expected that those who hold such a belief could or would give rise to any inspired resolution, for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that which they treasure most is most easily subject to threats and force.

Then there are those who react to the problem in materialistic terms. These have altered the supreme moral principle to read, "Man shall live by bread alone." The member of this group is quite likely to attach himself to any of the several simplifications which this group has institutionalized in policy: the answer to any domestic problem is governmental spending to raise everyone's material standard of living; neutralists such as Tito will be won to our side if our gifts are large and continuous; the communist will soften his attitude toward the United States and the noncommunist world if we allow them the trade advantages of our productive system.

Again, there is a class we could call passivists, and, like some of their medieval forebears who went into monastic seclusion, they seek to escape the world of decision and action. A tendency of the members of this class is to rely on discussion, fruitless though it may be, and on a complete negation of decisive action. Discussion becomes for them not a means but an end, and failure is not failure, for nonproductive discussion guarantees the need of still further discussion. No international conference is a failure, in this light, as long as it ends without definitive commitment. There is some truth in the assertion that protracted discussion on a point at issue often results in a blurring of the thought of both parties, but it logically follows that in such a situation, the party with commitment to a principle and a concomitant course of action stands in the least danger.

Detoured by Relativism

None of those in the classes just mentioned sees the challenge to the American heritage in its true dimensions, and obviously they have little understanding of the resources necessary to meet the challenge. The basic problem is the failure of Americans to dedicate and rededicate themselves to the great moral premise – *freedom under God.* As dedication to that premise built the American heritage, decline from it has given rise to the problems that appear in the guise of insecurity – the fear of physical extinction, the compensation of materialism, and indecision.

The decline was initiated by the introduction of a philosophy of relativism with its inherent negation of moral absolutes. This philosophy relieves man of all responsibility; it erodes his moral standards, for morals, it says, are a product of man's own thinking

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and are therefore subject to change. Further, it has no fixed reference point; rather it has a multitude of reference points, discoverable only by a process of expediency which itself becomes the criterion for judgment. Such thought canonizes Nicolo Machiavelli who baldly and boldly asserted that the end justifies the means. In such a philosophy, man is not free; he is rather a pawn of history, and he has significance only as he participates in great mass movements. In action, the philosophy is expressed in positivism which denies any supernatural standard and acclaims any law as valid if there is sufficient force in the lawgiver to enforce it. Such a philosophy does not produce Nathan Hales. It is more apt to produce those who seek the undisciplined refuge of mass anonymity and mass conformity. The end of such a system is pictured in Orwell's *1984*, in which he describes a society where *Big Brother* decides what is truth for the unresisting masses. Orwell doesn't say it, but the tragedy is that under such system, life doesn't really matter.

Improper Methods

The increasing acceptance of such a philosophy has spawned an incredible number of value standards and courses of action not consistent with our original premise and the institutionalizing of liberty. Time forbids a discussion of them, but some of the more dangerous may be listed. There are those who change or pervert the Constitution to gain the ends they desire, and the ends are presented as good ends to justify the action. It was for good reasons that the Gracchi started the process of violating the Roman constitution. The end of the process was the destruction of liberty in Rome, for each succeeding constitutional violation takes less explanation and less and less justification. Eventually the constitutional image is lost, and the term itself becomes a shibboleth.

Then, there are those who forget that material wealth is a happy by-product of our pursuit of a morally legitimate goal, and they relentlessly pursue the materialistic largess of nature as an end in itself. It is again the old story of selling the birthright for a mess of pottage. The goal of this philosophy is ever greater materialism with less and less effort. This idea seems to offer a built-in contradiction, but still the belief persists that we have invented a slot machine which pays off for everybody.

Again, there are those who pervert the definition of freedom to mean an absence of fear, of indi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vidual responsibility, of self-discipline, and they include within its context the strong presumption of egalitarian doctrines. These find the answer to all of our problems in the increase of central, bureaucratic government. Washington is their Mecca. They do not, perhaps, make a pilgrimage to Washington, but well they might, for not only is their money there, it is fast becoming a repository of the American soul. In international relations, these people have a naive faith in the United Nations, assign to it a supernatural aura, and claim for it a practical success not demonstrable in logic or actuality.

A Time for Rededication

Finally, there are those who are totally oblivious to the fact that the American forefathers, like the early Christians, were men whose vision and faith were such that they intended to turn the world upside down – and did so. We have lived in the golden heritage of their dedication to a great moral principle and the abundant life it provided. That we have grown insensitive to such a principle presages failure where they succeeded. We cannot escape the fact that the virility of communism stems from the fact that the communist is committed totally to the belief that it is necessary to change the world – and as an individual he is prepared to give himself to realize such an end. We cannot change the form or substance of the communist movement or threat. We can, however, reclaim, revive, and renew the American heritage as the eternal answer to those who would, under any guise, enslave the free spirit of man.

The innumerable paths of history are thick with the dust of decayed nations that knew the passing radiance of a glorious moment. Khrushchev and communism promised to bury the American heritage because it no longer serves history's purposes. For me, I fear no physical threat communism can offer. I do fear the retreat from our heritage. I do not fear Khrushchev's judgment. I fear the inexorable judgment of God's law which has ordained man's freedom. Should this nation so blessed by God forget His ordinance, then we have no valid claim to existence. We will have failed those who lived and died that we might be free as well as the serf of the future who will not long remember our moment of history. As Americans we can, as one has said, "spend ourselves into immortality" in freedom's battle or we can make our way carelessly to nameless graves and be part of the dust of history's passing parade. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FREEDOM

H. B. PHILLIPS

AS USUALLY PRESENTED, freedom is a negative idea, the mere absence of restraint. That does not seem to be a very valuable notion. A baby left entirely alone would be under no restraint but would not have much freedom. All it could do would be to die. I prefer to measure freedom positively by the things an individual can do. The greater the range of activities in which he can take part, the greater is his freedom.

The actions of an individual can be limited in two ways. First, they may be restricted by the orders of a dictator, by the government, or by his neighbors. These are external restraints and absence of this kind of restraint might be called external freedom. Second, they may be limited by his own capacities or lack of capacities. These are internal restraints and absence of this kind of restraint might be called internal freedom. Without internal freedom the external form is not worth much. I therefore discuss internal freedom first.

Perhaps many people would ask, how can the freedom of an individual be self-limited? This is best shown by examples.

A skilled workman has greater freedom than an unskilled one. For the unskilled can only do rough work. A skilled workman can also do rough work if he wants to, but he does not have to. In addition, he can do work which requires skill. A wider range of activities is available to him. He has greater freedom.

An educated person has much more freedom than an uneducated one. For an uneducated person can only do manual labor. An educated person can also do manual labor if he wants to, but he does not have to. In addition, he can do work of an intellectual nature. A much wider range of activities is open to him. He has much greater freedom.

A person of good moral character has more freedom than one who is lacking in this respect. Criminals do not believe this. They

Dr. Phillips, now retired, was for many years head of the Department of Mathematics at the Massachusetts Institute of Technology.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

say they can obey the moral rules if they want to, but they do not have to. But for this slight liberty they give up far more than they get. Suppose, for example, a man has been guilty of stealing. He can never get a position in a bank or any other position of trust. By a single transgression he has excluded himself from the most desirable opportunities in life. He has greatly reduced his freedom. Similar effects follow from any other violation of the moral code. The reason for this is simple. When people live in close contact, efficient cooperation requires that their conduct conform to certain rules. These rules constitute the moral code. For its own success society automatically develops mechanisms which favor those who conform and oppose those who fail to conform to this code.

Education toward Freedom

The examples I have given all belong to the field of education. Even good morals is a form of education acquired by those who have the good fortune to be born in and grow up in a suitable environment. And it is only through education that a person can expand his capabilities and so increase his freedom.

By education I do not mean merely what is learned in school. That is only a start. Handling the affairs of a nation involves a mass of "know-how" learned in the street and in the factories, much of which exists only as custom.

A good illustration of this is West Germany at the end of the second world war. At that time there was widespread destruction of industry in West Germany. To make matters worse the United States and its allies for some years after the fighting ceased stripped machinery from the few factories that were left and shipped it to Russia. Yet 10 years later West Germany was the most prosperous country in Europe, industrially second only to the United States in the whole world, and people from other parts of Europe were flocking into West Germany to enjoy the greater opportunities existing there. The reason for this is clear. When the fighting ceased, the Germans were not a mob of untrained people but a group containing individuals capable of doing anything needed in a modern state. Given control of their own affairs, in a short time they had the business of the nation operating smoothly and productively.

Compare this with the Congo. Under pressure from the native population and well-meaning outsiders the Belgians, who had been directing the affairs of the nation, withdrew. There was immediate chaos. The great mass of the peo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ple had none of the qualities needed in a modern state. Left alone, such a people can only sink into savagery, victims of starvation, disease, and superstition. Under outside management they could be given the necessary training, but this would require at least a generation and during that period they certainly would not be free.

The conclusion is that without education no worth-while freedom is possible.

External Influences

This brings me to the second part of my discussion, the limits on freedom imposed by external agencies. Left entirely alone, a person would have very little freedom. All of his time would be needed to keep alive. Some form of cooperation with others is thus a practical necessity and this requires some restriction on individual action. The problem is to devise a type of cooperation which permits the individual to do his best. The difficulty in doing this is due to the rapid advance in human affairs which quickly makes any detailed arrangement obsolete. The speed of this advance is indicated by certain facts.

The first fact is that more than half of all we now know has been developed during my lifetime. This has been the work of science, for science is merely man's understanding of the universe, including his understanding of man as part of the universe.

The second fact is that more than 90 per cent of all the scientists who have ever lived are now alive and working, and the number is steadily increasing. Through the efforts of these people the advance in the future will certainly be much more rapid than during my lifetime.

Under these conditions any detailed plan devised by a government quickly becomes obsolete and must be revised. Under government operation this revision is merely the choice of one individual or small number of individuals. Under freedom the best methods suggested by anybody, because of their superiority are quickly adopted.

The effect of freedom is thus to produce maximum diversity in human affairs. Because of the large number of unknowns, the value of any suggested procedure cannot usually be determined by reason but must be tested by trial. The number of suggestions, the number of trials, and consequently the number of superior methods found is greatest when each individual makes his own choice.

This is the reason for freedom and the reason why freedom will ultimately prevail. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Editor, The Freeman:

Growing numbers of persons are unhappy with prevailing conditions in Guatemala as in many other countries. But they generally are unaware that state socialism lies at the root of their troubles, nor do they understand what corrective measures are appropriate. They dream instead of some New Society, perhaps on a remote Pacific island. And they dream primarily of a managed utopia rather than freedom.

I have tried to set forth below a few of the tasks the manager of such a society would be expected to perform.

MANUEL F. AYAU

WANTED: Manager for New Society

Typical Problems to Be Solved:

- Determine what product or service each person most urgently needs in relation to his present means, his health, his family obligations, his education, and other pertinent factors.
- Determine the quantity and quality of each item to be produced and establish prices for these items and their respective parts.
- Prescribe the production method or methods to be used for each product and part thereof.

Mr. Ayau is a businessman in Guatemala and a director of the Centro de Estudios Economico-Sociales.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

- Arrange for discoveries, inventions, new methods, and procedures incidental to progress.
- Decide when to increase, curb, or cease production of any item.
- Devise methods to minimize waste.
- Decide who shall direct the use of capital, and how much each shall control.
- Determine which components a manufacturer is to produce and which ones he is to purchase from outside suppliers.
- Make essential adjustments to the constantly changing needs and priorities of a dynamic economy, allocating resources for production or for consumption as occasion demands.
- Know what quantities and qualities of resources are available in what locations and in what degrees of accessibility at all times.
- Determine which resources are to be used for present purposes and which are to be conserved for future uses.
- Determine whether to produce various items domestically or to import them.
- Specify the location of each industrial plant and of each operation within each plant.
- Protect consumers against misleading advertising, excessive credit charges, deceptive packaging, shoddy merchandise, and other sales devices.
- Precisely locate each wholesale and retail outlet, specify the quantities and qualities of each item to be sold, the inventory to be carried, the service markup to be added, and so forth.
- Decide what is to be grown on each parcel of farm land, with what tools and what amounts of labor and fertilizer and insecticides, depending upon the type of soil, weather condi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tions, and alternative uses for the farmer's time and other resources.

- Determine the appropriate land-labor-capital combinations for each industrial, commercial, transportation, or agricultural activity.
- Devise a system for prompt transmission to everyone concerned of all information as to changes in demand for and supply of each commodity and service.
- Determine how many persons and which individuals are to be engaged in each particular economic activity, describing how each job is to be performed and at what wage and other working conditions.
- Devise incentives and penalties to assure desirable behavior and discourage the other.
- Determine the rate at which each person shall save and consume, considering family obligations, current net worth, health, and other pertinent factors.
- Arrange for the satisfaction of wants according to personal choice and individual means.
- Arrange for prompt and efficient displacement of any person who fails in any of the foregoing objectives.

* * *

It should be clear, of course, that anyone who applies for the position of general manager of society automatically will have disqualified himself. If he had understood the problem, he would have known that there is no alternative to free market pricing as a guide to peaceful economic affairs. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CAPITALIZATION CURES OVERTY

HOWARD E. KERSHNER

ONE MINISTER who opposes our conservative views cites the Scripture in an attempt to show that we are wrong: "But whoso hath this world's goods, and seeth his brother have need, and shutteth up his bowels of compassion from him, how dwelleth the love of God in him?" (I John 3:17). Obviously our critic has not followed our writings sufficiently to understand that we are not opposed to relieving the needy; in fact we urge it. We believe it should be done by individuals and privately organized charities, rather than by the state.

Private charity is curative. It brings a blessing both to the giver and to the receiver. So-called state charity, on the other hand, soon induces the beneficiary to think that the government owes him a living; that it does not cost his fellows anything, and that he therefore has a right to it. He expects it, demands it, and grows indignant if he does not receive it. On the other hand, the individual who is heavily taxed in order to provide for many loafers and wastrels (not all welfare recipients to be sure, but many of them) develops resentment because he feels that he is being robbed. That leads to a decline of effort, for unless men are assured of being able to enjoy the fruits of their labor, very few will put forth maximum effort and most of them will only produce enough for a meager living for themselves and their families.

Our correspondent also cites the following: "The righteous considereth the cause of the poor; but the wicked regardeth not to know it." (Proverbs 29:7) It is my contention that the man who has the ability to use capital productively is considering the cause of the poor far more effectively than the man who passes the dollars out to be spent immediately without lasting improvement for the poor, who need productive jobs. Our correspondent heaps scorn upon us, but he is wrong. The most effective service one can render is to help by his saving to build the capital of a country so it can employ more and more people at steadily increasing wages, thus producing a higher and higher standard of living. This is the way to conquer suffering, poverty, disease, and ignorance. ◈

From Howard Kershner's Commentaries, distributed by the Christian Freedom Foundation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

War, Politics, and the Dollar

ELIOT JANEWAY, a Wall Street analyst who has made some remarkably accurate market predictions by keeping one eye peeled for the state of the President's relations with Congress, is a "chartist" with a difference. Where other analysts regard politics as an intrusion upon their subject that must be explained away as accident, Janeway turns things around: in his view markets are wholly dependent on power considerations, and the statistics of supply and demand are less important than, say, Lyndon Johnson's habit of secretiveness, or the inability of Secretary of the Treasury Fowler to get Secretary of Defense McNamara on the telephone. In such a world, the so-called science of economics takes on a gossipy quality – but, in a time of galloping statism, an analyst whose sources are both good and talkative can score some tremendous coups.

Janeway's new book, *The Economics of Crisis: War, Politics and the Dollar* (Weybright and Talley, $10.00), is a mixed historical and journalistic coup. It takes off from Randolph Bourne's wholly repellent but wholly accurate observation that "war is the health of the state." It follows from this that the peaceful development of countries is dependent on what has been done to expand the economy in wartime. War, says Janeway, can be a mighty stimulus to nation building, but the proviso is that it must be waged by men of reasonable intelligence who can be cold-blooded about the payoff.

Janeway himself is as cold-bloodedly realistic as Sancho Panza himself. His book is an explosively interacting multiple of four observations. The first observation is that America's wars, prior to the one in which we are now engaged, have all been profitable. Observation Number Two is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that Europe and Asia haven't been as lucky in their wars, though there have been exceptions. Observation Number Three, taken from Norman Angell's *The Great Illusion,* is that imperialism lost its realistic sanction when it ceased to be a simple matter of looting. And the fourth observation is that wars are no longer needed as a gigantic prod to production provided that mass consumption can be stimulated by the political management of continental-size economies.

Profitable Wars

When he is exploring the implications of the first three of his observations, Janeway is entirely convincing. The American Revolution was mismanaged from a monetary standpoint, but when the soldiers were paid off in western land scrip it gave a mighty impetus to the westward expansion. The War of 1812 was something of a stand-off, but it did get the British and their Indian allies off our backs in the Detroit region, which meant that settlers could sleep in their beds. The Mexican War rounded out our continental shape, and the Civil War preserved the new geographical configuration for the continental market that grew up with the building of the railroads. The Spanish-American War, with its action in the Caribbean and the Philippines and the dash of the *Oregon* around Cape Horn, dramatized the need for the Panama Canal. And our three truly distant wars – World War I, World War II, and the Korean War – were forcing houses for the development of our technological economy.

Meanwhile, Europe and Asia suffered because of their inability to evade wartime destruction and tremendous casualties. Some of Britain's colonial wars were cheaply fought, and Bismarck put the German Empire together by easy victories over Austria and Denmark. But the Franco-Prussian War proved a disappointment to the Germans, and the two world wars were devastating to all of their European participants.

Another Story in Vietnam

So Janeway lets his observations take him down to the present. It might be argued that, since the Vietnam War is far away, it can't hurt us much. But this is a war that we are fighting alone. It is a costly war financially, but, curiously, it isn't leading to any significant industrial expansion. The war is, at the moment of writing, too small to permit controls, but not small enough to avoid monetary inflation. Meanwhile, the Soviets feed just enough support to their North Vietnamese allies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to keep our casualties mounting without costing the life of a single Russian soldier. By bogging us down in Southeast Asia, the Soviets have a free hand to adventure in the eastern Mediterranean. Janeway is certain that they will make the most of it.

Thus we have lost the edge in "crisis management" to Moscow. In Janeway's estimation, it was McNamara who misled Johnson into thinking the Vietnam War could be won with a limited commitment. Johnson, in turn, was too secretive to take Congress into his confidence or to seek its advice – and he is now lost in the "jungles" of Vietnam and Detroit without the money needed to win on either the foreign or the home front.

Weak on Welfarism

The weak point of Janeway's book is its treatment of the rise of the Welfare State. He speaks of "Bismarck's Breakthrough," and adds a few pages on Lloyd George's "creative improvisations" which "translated" Bismarck's social legislation into English. The inference to be drawn from this sympathetic treatment of Bismarck as a primitive Keynesian planner is that the human race is now in possession of social instruments which will allow it to feed everybody without resorting to the economics of war preparation.

To give Janeway his due, he is no devotee of the crude theory that "government investment" can solve all our troubles. He does not divide economics into "private" and "public" sectors. His particular brand of interventionism, though it is couched in neo-Keynesian language, is fairly close to Milton Friedman's theory that the economy can be kept moving ahead in a state of dynamic equilibrium if the currency is expanded in a stable relationship to the increase in productivity. Janeway sees no virtue in the "public sector" as such, and he is all for increasing private fortunes provided they are profitably engaged. After all, if there is no flourishing private economy, the political managers would have no source of tax funds to take care of the strays.

The trouble with the Bismarck-Lloyd George theory of the social service state, however, is that it provides no assurance that a Janeway or a Milton Friedman will ever be allowed to work the levers. Bismarckian "socialism" created a population that became all too dependent on state action and state commands – and it wasn't much of a jump from Bismarck's theories to Hitler's National Socialism. Lloyd George's England merged insensibly into the England of Beveridge cradle-to-grave planning, which certainly hasn't

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

proved compatible with industrial productivity.

As a hard-boiled reflection of "what is," the Janeway insistence that politicians make the economic climate is all too true. But if there is no revulsion against the idea that economics must always be subservient to the compulsions of politics, the correct image for our productive system will remain that of the snake attempting to live by swallowing its tail. ◈

▸ A PRIDE OF PREJUDICES by Vermont Royster (New York: Alfred A. Knopf, 1967), 361 pp., $6.95.

Reviewed by Robert M. Thornton

READERS of *The Wall Street Journal* need little introduction to this collection of essays by the editor of that outstanding newspaper. Many of these short pieces were selected from his occasional column, "Thinking Things Over," which is an especially bright spot even in that sparkling editorial page. In these days when many of our "spiritual leaders" are busy picketing, marching, and inciting to riot, it is in such unlikely places as this that one finds searching thought about the human condition.

Royster is a throwback to earlier days of journalism when the informal essayist delighted, informed, and infuriated readers with his ruminations. He writes as a good conversationalist might talk on whatever topic comes to mind. Some event in the daily round supplies the inspiration, but the thought pursued leads far afield, reflecting the conceit that the reader's interest is as varied, intelligent, and literate as Royster's own. He writes, then, about what interests him, be the subject profound or trivial, philosophic or nostalgic, timely or timeless.

Royster once told an interviewer that he thought himself the most radical editor in the country, so out of step is he with the prevailing mood of the body politic. He opposes the inflationary financial policies of the national government and "the feeling that the government should feed our children, build our houses, provide for our old age, take care of us when we are sick, and bury us when we die." At a time when statism is embraced by most of the molders of public opinion this is indeed a radical position.

When Royster faced the problem of deciding who was to review his book for *The Wall Street Journal,* he arrived at a very simple, yet daring, solution: he "reviewed" the book himself. Here was no self-praise or false mod-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

esty but as one man said, "about the most subtle mention of a book by its author I have ever seen." In the closing sentences of the "review" Royster describes the contents of his book. You will find inside, he writes, "some little essays on sundry subjects done in a quaint, meandering style. There are personality sketches of public persons that are *de rigueur* for a practicing journalist; the passing thoughts on weighty public questions that an editor must offer to keep his license; the reportage on affairs as distant as Kansas and India by which a reporter tests his craftsmanship.

"But there are also, you should be forewarned, essays of no great point or purpose. Nostalgia can be pleasant self-indulgence but others may not be moved by remembrances of yesterday's Depression or of wars past. The borderline between sentiment and sentimentality is very narrow, and therefore easy to step over when recalling a great-grandfather or dreaming over a grandchild.

"Finally, one man's prejudice is another man's anathema. Certainly not everyone today will share the belief, expressed therein, that our heritage from the past contains many values worth conserving in the twentieth century. Or amid the troubles of the present find comfort in the reminder that the Dark Ages lasted only five hundred years.

"So perhaps the best thing to be said of the book is simply that Alfred Knopf thought it worth publishing."

Most of Royster's "review" is taken up with praise for the outstanding job of book-designing and book-making done by his publisher. "It looks good on a coffee table," he says "even if you never open it." Indeed it does, but great would be the loss of anyone who neglected to look between the covers. ◈

▸ ON AGGRESSION by Konrad Lorenz, translated by Marjorie Kerr Wilson (New York: Harcourt, Brace & World, Inc., 1966), 306 pp. $5.75

▸ THE TERRITORIAL IMPERATIVE by Robert Ardrey (New York: Atheneum, 1966), 390 pp. $6.95

Reviewed by Gordon B. Bleil

ROBERT ARDREY here assembles a vast amount of material from the works of natural scientists and adds his personal interpretation — or more correctly, his extrapolation. The work is tightly focused on the single subject of territoriality.

Territory is any area of space which an animal or group of animals defends as an exclusive pre-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

serve, and territoriality is the inward compulsion to possess and defend such property. Ardrey notes in his introduction that only one book (a 1920 work) has been devoted entirely to territoriality and that one was about birds. But considerable material on the subject is tucked away in the pages of scientific journals.

Ardrey develops his thesis that man is a territorial animal linked firmly to his piece of earth, and he argues that male competition – human as well as animal – is primarily for possession of property, and only secondarily for possession of the female. This inquiry describes the physical behavior of many species, and also speculates on the emergence of values and natural morality among humans as concomitant phenomena.

Property as pivotal in affairs of men was acknowledged by our Founding Fathers and emphasized by political writers preceding them – as attested by the popularity of such slogans as "Life, Liberty, and Property." Of late the private property principle has not only been ignored, but aggressively attacked in the flight toward nonproperty social structures . . . welfarism, socialism, communism, and the like. Ardrey roots man's institutions in his biological heritage and challenges those who attribute our behavior solely to environment or culture, rejecting its hereditary basis.

Konrad Lorenz is frequently referred to in Ardrey's work, but at the time Ardrey was writing, Lorenz's work had not been translated from the original German. It has since become available in English.

Lorenz's focus is on aggression which he defines as "the fighting instinct in beast and man which is directed against members of the same species." A naturalist by profession and choice, Dr. Lorenz is also a doctor of medicine and a doctor of philosophy. From this solidly based vantage point he has considerable leverage on his biological materials and their human implications.

Somewhat less well structured and less readable than Ardrey's work, due in part, perhaps, to the difficulties of translation, Lorenz nevertheless provokes reflection. Territoriality is one of the causes of aggression, but not the only one. Aggressive behavior in the animal kingdom has evoked a parallel development of reliable, inhibitory mechanisms which prevent a species from destroying itself. Man is unique in that he has developed enormous aggressive capabilities and destructive power without a parallel development of reliable, natural inhibitions.

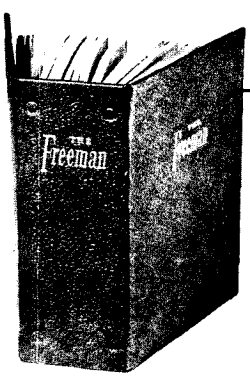
Lorenz finds aggression healthy,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

innate, and ineradicable. His principal point is that the survival of mankind – considering the awesome destructive power now at our disposal – depends on our success in imitating the natural and reliable inhibitory mechanisms evolved by other organisms rather than trying to sweep aggression under the rug as immoral or curable. This tack will not work because aggressive drives are a necessary part of our nature.

Students of the free economy will be reassured to find effective natural principles at work in human nature itself, which are consistent with the ideology of competitive enterprise. We are better equipped to defend the market place, where competition is aimed at serving the consumer. If mankind eliminates competition or advocates its neutralization, at hazard is ultimate survival. It may be a sign of the times that concurrently with the progress of socialism highly competitive physical-contact sports, such as football, mushroom in popularity – a modern equivalent, so to speak, of bread and circuses.

Fortunately for the serious student, both works are heavily referenced and additional study in areas of particular concern is facilitated. Lorenz is slightly less desirable in this aspect than Ardrey because much of his source material, understandably, is in German. Both books are likely to become well-thumbed by those who want a better understanding of why we are and what we are. ◈

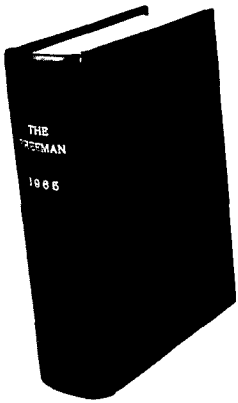


HANDSOME BLUE LEATHERLEX
12—ROD
FREEMAN BINDERS

$2.50 each

Order from: THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



BOUND VOLUMES OF

The Freeman—1967

Attractively sewn in a single volume with hard cover, the 12 issues from January through December, fully indexed—768 pages, for handy reference to the latest literature on freedom.

Only $5.00

Bound volumes of THE FREEMAN for 1965 and 1966 are also available at $5.00 each. Three volumes, ordered together, $13.50.

These bound volumes of THE FREEMAN match in appearance and otherwise continue the 12-volume series of *Essays on Liberty* containing selections from THE FREEMAN and other Foundation releases back to 1946. (A separate cumulative subject matter, author, and title index is available for the 12 volumes of *Essays on Liberty*. $1.00.)

ORDER YOUR BOUND VOLUMES NOW!

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, N. Y. 10533

Please send me:

THE FREEMAN for 1967	$ 5.00	☐
THE FREEMAN for 1965, 1966, and 1967 (3-volume set)	$13.50	☐
ESSAYS ON LIBERTY (Set of 12, with cumulative index) Cloth	$30.00	☐
Paper	$20.00	☐

☐ CHECK ENCLOSED ☐ SEND INVOICE

NAME_____

STREET_____

CITY_____

STATE_____ ZIP CODE_____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Place 8-cent postage here

FROM

TO: _____

STREET _____

CITY _____

STATE _____ ZIP CODE

MARCH 1968

The Task Confronting Libertarians	Henry Hazlitt	131
As Far as Possible	IPA Facts	143
The Real Price Wars	Leonard E. Read	144
The Rise and Fall of England: **1. This Sceptered Isle**	Clarence B. Carson	147
Steel Imports and Basic Principles	William B. Boyd	156
Tools	Jasper E. Crane	160
Old and New Intervention	Hans F. Sennholz	166
The Moral Premise and the Decline of the American Heritage	Paul L. Adams	170
Freedom	H. B. Phillips	179
Wanted: Manager for New Society	Manuel F. Ayau	182
Capitalization Cures Poverty	Howard Kershner	185
Books:		
War, Politics, and the Dollar	John Chamberlain	186
Other Books		189

LICENSED TO UIZ.ORG ELECTRONIC REPRODUCTION PROHIBITED